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U.S. War production board
Title:
Limitation of inventory

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"Consumers' goods inventory limitation order L-219": p. 85-92.

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U.S. WAR PRODUCTION BOARD.

LIMITATION OF INVENTORY.

Limitation of Inventory

Why?
How?
Who?
When?

A graphic explanation of the order . . .
Questions and Answers . . .
Text of the Inventory Limitation Order . . .
and applicable forms.

IL–1

Foreword

The purpose of this booklet is to explain concisely and explicitly the War Production Board's Inventory Limitation Order L–219.

Since orders issued by Government are necessarily legal documents; and since most businessmen and laymen are not trained in legal language, misunderstandings and questions sometimes arise which lead to confusion and delay compliance with the provisions of the order.

It is hoped that this explanation will help merchants to a clearer understanding of their duties and privileges under Order L–219. Obviously, a reading of this digest cannot take the place of a study of the actual order, a copy of which is appended.

Contents

I

LIMITATION of INVENTORY

Why?

How?

Who?

When?

Inventory Limitation

Why?

TO SPEED VICTORY

by protecting

the Home Front

Inventory Limitation

protects us against the

Gremlin of Inequitable Distribution.

He piles up scarce goods in one area and depletes stocks of scarce goods in other areas.

He gives too much goods to some merchants and too little to others.

He deprives some parts of the public of the goods they need to maintain their morale and gives others more than they need.

He favors the strong urban merchant and penalizes the weaker merchant in smaller communities.

52.4% of the people live on farms or in rural communities of less than 10,000 population.

IT IS VITAL TO OUR WINNING THE WAR THAT THE CONSUMER IN SMALLER COMMUNITIES GETS HIS SHARE OF SCARCE OR POTENTIALLY SCARCE GOODS.

Let's Look at Two Merchants...

A.

in urban area . . .
highly successful . . .
financially strong . . .
excellent contact through
buying organization . . .
volume increasing moderately.

B.

in smaller community . . .
near *war* plants . . .
limited credit . . .
depends on distributor's
salesmen for contact with market . . .
moderate volume, *increasing sharply* . . .

"A" can use his resources
to get more than his share of scarce goods.

"B" can't get enough.

War workers in "B's" community are deprived of their share . . . their morale is impaired. If these workers are to make their fullest contribution to Victory, "B" must be able to obtain his rightful share of available goods.

Inventory Limitation

helps protect us against the *Gremlin of Speculative Pressure* who is trying to bring on the horrors of inflation by wrecking price ceilings . . .

He rushes to buy scarce or potentially scarce merchandise thus helping to create black markets.

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Inventory Limitation

helps protect us against the
Gremlin of Hoarding.

He is trying to bring on dreaded inflation by piling up stocks.

He buys all he can get . . . much more than he can reasonably dispose of quickly.

He calls it "protective" buying. Actually it's destructive buying . . . destructive of the Nation's All-Out War Program.

Voluntary Limitation Has Failed

Although most merchants are cooperating to bring stocks down . . . investigation proves that the flow of goods is still toward the large institutions.

VOLUNTARY LIMITATION HAS FAILED to prevent some merchants from piling up stocks out of proportion to available supply.

VOLUNTARY ALLOCATION BY MANUFACTURERS AND WHOLESALERS HAS FAILED to bring about an equitable distribution of merchandise.

Inventory Limitation needed to speed up War Program!

It will help . . .

- • • — by preventing merchants from piling up excessive stocks in relation to total available supply of scarce goods.
- • • — by reducing pressure to produce more and more consumers' goods.
- • • — by releasing excess inventory.
- • • — by releasing manpower used in warehousing excessive inventory.
- • • — by delaying exhaustion of scarce materials.
- • • — by helping maintain civilian morale.

Inventory Limitation . . . Why?

Though the over-all Inventory Picture has improved in the last six months,

COMPARISON OF INVENTORY-to-SALES RATIOS

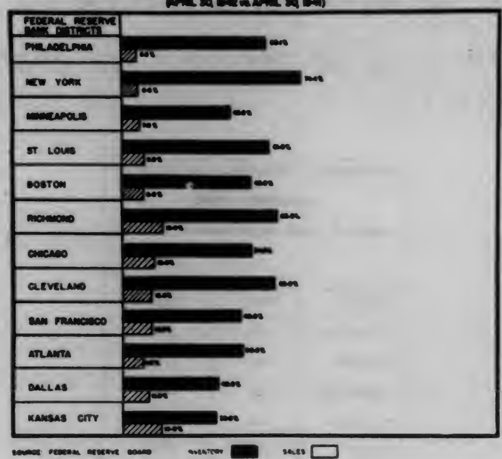
DEPARTMENT STORES

April 30, 1942 versus October 31, 1942

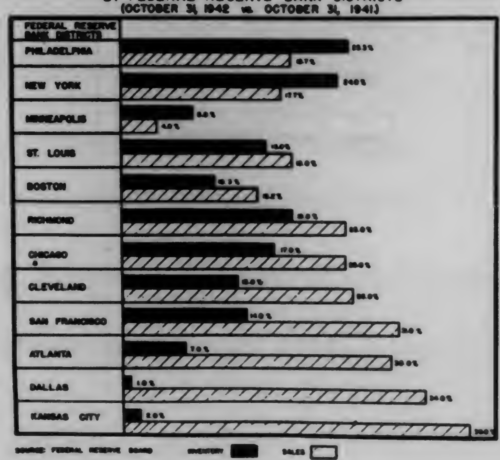
FED. RES. DISTRICT	April 30, 1942	October 31, 1942
PHILADELPHIA	1.50	1.06
NEW YORK	1.64	1.05
MINNEAPOLIS	1.36	1.04
ST. LOUIS	1.48	0.98
BOSTON	1.41	0.96
RICHMOND	1.40	0.95
CHICAGO	1.36	0.94
CLEVELAND	1.46	0.90
SAN FRANCISCO	1.24	0.87
ATLANTA	1.39	0.82
DALLAS	1.26	0.75
KANSAS CITY	1.20	0.73

Source: Federal Reserve Board

PERCENT INCREASE IN DEPARTMENT STORE INVENTORIES AND SALES
BY FEDERAL RESERVE BANK DISTRICTS
(APRIL 30, 1942 vs. APRIL 30, 1941)

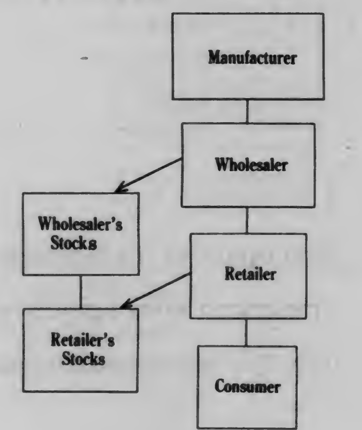


PERCENT INCREASE IN DEPARTMENT STORE INVENTORIES AND SALES
BY FEDERAL RESERVE BANK DISTRICTS
(OCTOBER 31, 1942 vs. OCTOBER 31, 1941)



Inventory Limitation

is needed to speed up flow of relatively scarce goods through channels of distribution...



When total supply of goods is limited and a substantial portion is siphoned off to merchants' surplus stocks, the supply of goods to the ultimate consumer is dangerously limited.

Inventory Limitation

needed to protect the merchant . . .

who operates his business on reasonable ratio of stock to sales against selfish competitors, who buy up excessive quantities of goods.

Inventory Limitation

Needed for Protection of Postwar Economy

"Large inventory" psychology is "seed" from which post-war inflation hysteria would grow . . .

INVENTORY LIMITATION will temper "large stock" psychology and will contribute toward a more sound and normal postwar inventory position.

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INVENTORY LIMITATION ORDER L-219 AT A GLANCE

. . . L-219 exempts merchants whose sales are more than 50% in goods listed on List A.

. . . It also exempts merchants whose inventories were less than $50,000 at the end of any quarter of their Federal Income Tax Year.

. . . It exempts merchants whose net sales during the 12 months preceding the last day of that quarter were less than $200,000.

. . . L-219 is based on the current trend of sales and the inventory-to-sales ratio of the base period 1939-1940-1941.

. . . It limits receipts of merchandise so as to achieve normal inventories in relation to current sales.

. . . Merchants whose inventories are over their normal limit are required to restrict the merchandise they take into stock each month of the next quarter until their stocks are under the limit.

LIST A

LINES OF GOODS (WHETHER OR NOT CONSUMERS' GOODS) QUALIFYING MERCHANTS FOR EXEMPTION

Antiques.
Coal, fuel oil, gasoline, and miscellaneous heat or power fuel.
Coffins, burial caskets, and burial vaults.
Farm machinery and equipment, and attachments and repair parts therefor.
Flowers and plants, except artificial types.
Foods and confections.
Grain.
Hay.
Jewelry having a selling price of $200 or more per piece.
Lumber and building materials, except hardware.
Motor oil and grease.
Motor vehicles and motor vehicle replacement parts.
Nonalcoholic beverages.
Rubber tires.
Second-hand goods.
Stock food.
Seeds for farm use.
Typewriters.
"Consumers' goods" imported into the United States.
Supplies, as defined in § 1046.1 *Suppliers' Inventory Limitation Order L-63*, concerning which the merchant is required to keep and actually keeps records on Form PD-336.

Inventory Limitation

Who?

• • • —

Inventory Limitation

WILL APPLY TO MERCHANTS WHO

☆ *are engaged in*

- retailing
- wholesaling
- jobbing
- marketing "consumers' goods"
- and who maintain a "Mercantile Inventory" (to be defined later)

☆ whose net annual sales of consumers' goods are $200,000 or more . . . AND

☆ whose mercantile inventory of consumers' goods on the last day of any quarter of their taxable year were $50,000 or more at cost value, after November 30, 1942.

☆ who sell any or all of the following typical lines of consumers' goods:

EXAMPLES OF TYPICAL CONSUMERS' GOODS
LIST B

Women's, misses' wearing apparel.
Women's, misses' accessories.
Baby goods.
Men's and boys' clothing.
Men's and boys' furnishings.
Work clothing.
Footwear.
Hosiery, underwear, negligees, and robes.
Gloves, handbags, and millinery.
Aprons, house dresses, and uniforms.
Furs.
Corsets and brassieres.
Lace, trimmings, and ribbons.
Notions.
Toilet articles and toiletries (such as cosmetics, shaving equipment, and soaps).
Clocks and watches.
Jewelry and silverware.
Umbrellas.
Art, needlework, and yarns for home use.
Paper and paper products, stationery, books.
Giftwares.
Piece goods (silks, velvets, rayons and synthetics, woolens, cottons, linens, mixtures, wash goods, and linings).
Drugs and drug sundries.
Sporting goods and cameras.
Toys and games.
Luggage and other leather goods.
Garden supplies and seeds for garden use.
Motor vehicles, replacement parts, and accessories.
Tires.
Typewriters.
Linens, including towels.
Domestics (muslins, sheetings, etc.).
Blankets, comforters, and spreads.
Furniture, bedding, and domestic floor coverings.
Draperies, curtains, and upholstery.
Lanterns, lamps, and shades.
Chinaware and glassware.
Major household appliances, including mechanical refrigerators, washing machines, and cooking appliances.
Small electrical appliances, light bulbs, fixtures, and dry cells.
Radios, phonographs, records, and supplies.
Hardware and tools for home use.
Kitchenware, cutlery, and miscellaneous housewares.
Musical instruments, pianos, and sheet music.
Window shades, blinds, and wallpaper.
Brushes, brooms and mops.
Soaps and household cleaning and sanitation materials.
Paints, varnishes, waxes, and polishes.
Christmas ornaments and supplies.
Wheeled goods.
School supplies.
Antiques.
Coal.
Flowers and plants.
Smoking equipment.
Second-hand consumers' goods.

Inventory Limitation

How?

...—

L-219 is the result of many months of study by technical experts, and a committee of business men in consultation with hundreds of merchants in every industry affected.

It is simple

☆ easy to comply with from figures readily obtainable under merchant's present accounting system and ties in with his Federal Income Tax Year.

☆ Its principles have been under discussion in Mercantile circles since July, 1942, so that merchants have had an opportunity to prepare for it.

Here is a summary of what a merchant who carries a mercantile inventory in a retail store, a wholesale establishment, or manufacturer's stock-carrying branch who will do under Inventory Limitation Order L-219.

1. He looks at list "A" of this order to see if he is exempt because he did more than 50% of his business on these commodities.

2. If not, and if he had a mercantile inventory of consumers' goods of $50,000 or more at cost value at the end of any quarter of his federal taxable year and if his net sales of consumers' goods during the twelve months preceding that date were $200,000 or more he comes under the order as a "controlled merchant."

3. He calculates his stock-to-sales ratio by quarters for his base period which is his average experience in the years 1939-1940-1941.

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Inventory Limitation . . . *How?*

4. He computes his normal inventory which is based on his projected sales . . . (which are his current rate of sales compared with the corresponding period of the previous year.)

5. He figures out his inventory limit by taking his normal inventory plus a percentage of tolerance allowed by the order.

6. He does not have to send any report to WPB if his inventory at the beginning of the second quarter is below his limit.

7. He calculates his "open to buy" (allowable receipts) based on his projected sales, if his inventory at the beginning of the second quarter is above his inventory limit.

8. He then files reports with WPB monthly and quarterly until his inventory is below the limit.

9. He restricts his intake of merchandise to his normal "open to buy" until his inventory gets into line.

Inventory Limitation

When?

. . . —

At Beginning of Merchant's Second Quarter of 1943 Which May Be:

March 1, 1943 (if your inventory year began December 1)

April 1, 1943 (if your inventory year began January 1)

May 1, 1943 (if your inventory year begins February 1)

Merchants required to make quarterly reports send them to WPB not later than the 25th of the first month of the second quarter of 1943 . . .

March 25, 1943
April 25, 1943
May 25, 1943

Merchants required to make monthly reports send them to WPB the 25th of the second and third months of the quarter.

Getting Inventories Within Limit

Merchants whose inventory is now in excess of inventory limit should get their inventories into line before the beginning of second quarter of their inventory year . . . in AN ORDERLY MANNER.

Merchants who are maintaining normal inventories tell us that they are keeping their stocks at most efficient levels . . .

☆ By clearance of slow-selling stocks and broken assortments.

☆ By concentrating their buying on best sellers.

☆ By streamlined merchandising . . . by having range of stock narrow and deep . . . narrower range of styles, colors, price lines; more complete assortments in fast-moving lines.

DEFINITIONS USED IN L-219

"CONSUMERS' GOODS" means merchandise which individuals buy in its present form for personal or household use.

Consumers' goods for the purpose of this order do not include:

- ☆ foods or beverages for human or animal consumption.
- ☆ fuel oil, gasoline, motor oil, grease or allied petroleum products.
- ☆ goods sold for consumption on vendor's premises such as food sold at fountains and in restaurants.
- ☆ goods used in rendering personal services such as shoe repairing.
- ☆ producer's goods such as farm implements.

"MERCANTILE INVENTORY" is the stock of consumers' goods which a merchant engaged in marketing holds for sale . . .

Examples: stocks of retailers, jobbers, wholesalers, commission men . . . finished goods of manufacturers held in stock-carrying branches.

Factory inventories, that is, consumers' goods held at the factory or in the immediate vicinity where they were made, are not included.

Consignment goods or memo goods are included in the inventory of the merchant holding them for sale . . . and are thus not in the inventory of the owner.

If they are consigned to a person not holding them for sale, they are in the inventory of the owner.

Goods in transit may be included in inventory or not, according to the merchant's prior accounting or income tax practice.

Goods are no longer "in transit" a day after they are delivered to a merchant on his premises, to his warehouse or to a commercial warehouse for his account.

Goods kept in warehouses, stock rooms or any other place by a merchant are considered inventory if they are to be placed on sale at some future time.

Example: seasonal goods held for future season . . . goods bought for speculative purposes, etc.

Goods held on "Will Call" or "Lay Away" may be considered inventory or not, according to the merchant's prior accounting or income tax practice.

"MERCHANT" means any person engaged in retailing, wholesaling, jobbing or otherwise marketing consumer goods . . . whether manufactured by himself or another . . . as long as he maintains a "Mercantile Inventory" as previously described.

"CONTROLLED MERCHANT" is one who

a. on or after November 30, 1942, had a mercantile inventory of $50,000 or more at cost value at the end of any quarter of his Federal Income Tax Year.

AND

b. during the 12 months preceding the end of the same quarter of his Federal Income Tax Year had net sales of consumers' goods of $200,000 or more.

Except:

☆ Merchants more than 50% of whose net sales during their most recently completed inventory year are goods listed in List "A."

☆ Merchants whose sales are entirely outside of the U.S.A.

☆ Governmental Corporation or agency, including Army, Navy, Marine Corps, Post Exchange or Service Stores.

"NET SALES" means:

Gross sales in Dollars less:

returns
allowances
rebates
discounts
and other proper deductions

Includes: merchandise ordered by a merchant to be sent from his manufacturer or supplier direct to retail customer.

A merchant also engaged in manufacturing shall not include sales made as a manufacturer out of his "factory inventory".

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"COST" or "COST VALUE" has the same meaning in this order as in the merchant's regular accounting practice for balance sheet and for statement of profit and loss or for Federal Income Tax purposes.

Goods held on consignment or memo are to be valued at not less than the amount which the person holding them for sale would have to remit to the owner if all the goods were sold. Incoming transportation costs and work-room charges shall be included in the cost of memo goods if such charges are regularly included in the cost of non-memo comparable goods owned by the merchant.

> Retailers using the "retail method" of valuing their inventories may reduce their inventories to cost by the method prescribed for Federal Income Tax purposes.

"INVENTORY YEAR" refers to each recurring 12-month period beginning either on December 1st, January 1st, or February 1st and coinciding with the beginning date of a quarter of the merchant's Federal Income Tax Year.

No matter on what date the "inventory year" begins, it is designated by the year in which most of its months fall:

For example: A merchant's "Inventory Year 1943" may begin:

December 1, 1942
January 1, 1943
February 1, 1943

Each "Inventory Year" consists of four quarterly periods . . . three months each.

A merchant whose fiscal year is divided into thirteen periods of four weeks or into four periods of thirteen weeks each, may adopt four thirteen-week periods as his "quarter" and each such quarter must be divided into one five-week and two four-week "months".

Merchants who keep their accounts on this basis may begin their "inventory years" on dates other than December 1st, January 1st or February 1st, provided date is as near as possible to the beginning date of a quarter of his Federal Income Tax years.

"BASE PERIOD" is a period of three "inventory years" beginning with the 1939 "inventory year".

Ordinarily this would begin on

December 1, 1938

or

January 1, 1939

or

February 1, 1939

If a merchant lacks records for part or all of this "base period", he shall use as his special base period as many complete consecutive quarterly periods between December 1, 1938, and February 1, 1942, for which he has complete records.

If he does not have records for four complete periods, he shall take quarterly periods from his 1942 records sufficient to complete an inventory year.

If he cannot establish such a base period from his records, he shall apply to the Director General of Operations for instructions.

"COST OF GOODS SOLD" means cost of goods removed from mercantile inventory by:

Sale

Spoilage

Shrinkage

Consignment to another person . . .

or other deduction according to generally accepted accounting practice consistently used by the merchant.

and any goods ordered shipped directly to a retail customer by a manufacturer, wholesaler or other vendor.

"RECEIPTS OF CONSUMERS' GOODS" is the cost of goods acquired by a merchant through:

Purchase

Consignment

Memorandum

or any other manner by which they become part of the merchant's inventory.

PLUS—COST OF GOODS ORDERED SHIPPED BY MANUFACTURER OR WHOLESALER OR OTHER VENDOR TO MERCHANT'S RETAIL CUSTOMERS.

Goods manufactured by a merchant are included in his "receipts of consumers' goods" as soon as they are transferred from his factory inventory to his mercantile inventory.

If a merchant elects to value his inventory at retail value, his "receipts of consumers' goods" will be calculated at retail value and not at cost value.

"FROZEN GOODS" are goods selling much more slowly than normal because of government regulations which specifically restrict the sale of these goods to preferred persons based on special need.

FROZEN GOODS CREDIT

a. In order to obtain credit for frozen goods the goods must have been in stock at least four months prior to the quarterly period for which the credit is taken.

b. The amount of credit in dollars is the cost value of frozen goods of any kind at the beginning of the quarter *minus* the sales of frozen goods of that kind during the preceding quarter.

REGULATIONS AND RESTRICTIONS

RESTRICTION OF INVENTORY AND RECEIPT OF GOODS

Any merchant whose inventory at the beginning of any quarter (after the first quarter of 1943) is greater than his) inventory limit shall not take in more goods than his "allowable receipts" (as previously explained) for that period.

Nor shall he take into stock more than one-third of his "allowable merchandise receipts" during the first month of the quarter...or two-thirds of his "allowable merchandise receipts" during the first two months of that quarter.

SPECIAL REPORTS

Every merchant whose inventory at the beginning of any quarter after the first quarter of 1943 exceeds his inventory limit shall mail to the War Production Board a copy of each of the following reports...keeping a duplicate.

FORM	*DATE*
PD-690	On or before the 25th day of the first month of the quarterly period in which he had the excess.
PD-689	Same day. (This form is filed only once with the first filing of PD-690)
PD-713	On or before the 25th day of the second month of the quarterly period.
PD-713	On or before the 25th day of the *third month* of the same quarterly period.
PD-690	On or before the 25th day of the first month of *the following quarterly period.*

RECORDS

Every merchant shall preserve those records concerning his operations necessary to determine whether he is a controlled merchant.

Every controlled merchant shall preserve his records concerning sales and inventories during the base period until further notice. Form PD-689 kept completely and accurately will satisfy this requirement.

Every controlled merchant is required to prepare and preserve for at least two years complete records of his sales, inventories, costs and merchandise taken into stock to make it possible to check his compliance with this order.

This can be easily done by keeping forms PD-689, PD-690 and such other forms as may be made available.

MISCELLANEOUS

Records must be submitted for audit on request by duly authorized representatives of WPB.

This order and all transactions it affects are subject to all applicable WPB priorities regulations.

Any person subject to this order who feels that compliance will work an exceptional or unreasonable hardship upon him may appeal from this order by filing a letter in triplicate, referring to the particular provision appealed and stating fully the grounds on which appeal is based.

PENALTIES

Violation of this order is a crime punishable by fine or imprisonment or denial of the use of any materials under priority control or allocation. Violators may also be denied priorities assistance.

Violations include:

1. Failure to make reports when required by the provisions of this order.
2. Wilfully concealing material facts or furnishing false information.
3. Accepting merchandise in excess of allowable receipts.

RESPONSIBILITY OF MANUFACTURERS, WHOLESALERS AND RETAILERS

Under Priorities Regulation No. 1,
Section 944.13 . . .

No person may be held liable for damages or penalties for any default under any contract or order which shall result directly or indirectly from compliance with Order L-219.

Similar protection is afforded by the Second War Powers Act of 1942.

PROVISIONS FOR CORPORATE COMBINATIONS AND SIMILAR ENTERPRISES

1. Businesses under common ownership or control must consolidate records of all their units into one for the purpose of this order regardless of the corporate distinctions under which they operate.

2. Transactions among units of a single organization are not regarded as "sales" or "receipt of goods"...

   Except...when one of these units engages in manufacturing...then transfer of goods from factory inventory to mercantile inventory constitutes a receipt of such goods for purposes of this order.

3. Manufacturers or other enterprises operating stores chiefly for employees and their families must determine whether such stores in themselves come into the category of "controlled merchants."

If these "Employees' stores" or "commissaries" of themselves come under the provisions of L-219 the order applies to them as to any other store and their records must be kept apart from the main enterprise to which they are connected.

4. Any organization controlling substantially independent individual businesses known as "ownership groups" which in themselves would be "controlled merchants" if considered separately and which does not generally buy, warehouse or interchange stocks among the units may elect by writing to WPB before February 1st, 1943 to regard each establishment as a separate "controlled merchant."

5. Non-consumer goods may be included with consumers' goods if it is the practice of the business to include them consistently and if exclusion would be impracticable... as defined in the order.

6. In complying with this order a merchant must use the same system of accounting that he has consistently employed since the

beginning of his base period. If there has been a significant change since that period, he must apply to the Director General of Operations for specific instructions.

7. This order does not relieve any person from the responsibility of complying with the provisions of the "Supplier's Inventory Limitation Order L-63." Any merchant whose sales are more than 50% of "supplies" as defined in Order L-63 and who actually keeps records of such supplies on Form PD-336 does not come under the provisions of Order L-219.

8. Any merchant who employed the "Retail Method" of computing inventory during his base period may follow the retail method in complying with this order under conditions specifically described in the order.

9. Current receipts, sales and inventories of officers' uniforms may be excluded from computations in compliance with this order if done consistently.

Up to this point we have given you a general outline of the provisions of L-219.

It is important that you study the order itself . . . and understand it fully.

It is not at all difficult... and complying with it is made still easier by following the formulas for computing base period, stock-to-sales ratio, sales ratio, normal inventory, and inventory limit as given in the appendix to the order and as shown on Forms PD-689 and PD-690.

On the following pages we give you graphic demonstrations of these formulas and forms.

Appendices

COMPUTATION OF A NORMAL INVENTORY

I. Computation of the normal quarterly INVENTORY-SALES RATIO, using the second quarterly period ratio as an example.

A. Add the mercantile inventories for the quarterly periods of the base period years corresponding to the quarterly period for which the normal inventory is being computed.

Example

1939 Beginning 2nd quarterly period inventory at cost	$50,000
1940 Beginning 2nd quarterly period inventory at cost	56,000
1941 Beginning 2nd quarterly period inventory at cost	56,000
Total A at cost	$162,000

B. Add the net sales for the quarterly periods of the base period years corresponding to the quarterly period for which the normal inventory is being computed.

Example

1939 sales 2nd quarterly period	$100,000
1940 sales 2nd quarterly period	104,000
1941 sales 2nd quarterly period	104,000
Total B	$308,000

C. Divide Total A by Total B, computing to three decimal places.

$$\frac{162{,}000}{308{,}000} = .526 \text{ or } \frac{\text{Total A}}{\text{Total B}} = \text{normal inventory-sales ratio for all second quarterly periods.}$$

II. Computation of PROJECTED SALES, using the second quarterly period of 1943 as an example.

A. In computing the projected sales for a quarterly period, divide the net sales during the second preceding quarterly period by the net sales during the quarterly period of the previous year corresponding to the second preceding quarterly period, computing to three decimal places.

Example

$$\frac{\text{Sales 4th quarterly period 1942}}{\text{Sales 4th quarterly period 1941}} = \text{Sales Ratio for 2nd quarterly period 1943}$$

$$\frac{\text{Sales 4th quarterly period 1942}}{\text{Sales 4th quarterly period 1941}} = \frac{\$136{,}000}{\$130{,}000} = 1.05 \left\{\begin{array}{l}\text{Sales Ratio}\\ \text{for 2nd quarterly}\\ \text{period 1943}\end{array}\right.$$

B. Then multiply the sales ratio for the quarterly period by the net sales during the corresponding quarterly period of the preceding year.

Example

Sales 2nd qt. '42 × sales ratio 2nd qt. '43 = Projected sales 2nd qt. '43.

Sales 2nd quarterly period '42, $110,000 × 1.05 (sales ratio) = $115,500 (Projected Sales 2nd qt. '43)

III. Computation of the NORMAL INVENTORY, using the second quarterly period of 1943 as an example.

Multiply the projected sales during the quarterly period by the normal inventory-sales ratio for that quarterly period.

Example

Projected sales 2nd qt. '43	×	Normal Inventory-sales ratio for all 2nd qts.	=	Normal Inventory beginning 2nd qt. '43
$115,500	×	.526	=	$60,753 cost value

COMPUTATION OF INVENTORY LIMIT

I. Computation of the INVENTORY LIMIT using as an example the second quarterly period of 1943 of a merchant in the Eastern Time Zone operating on the cost method.

A. Compute the tolerance by multiplying the normal inventory for the beginning of the quarterly period by the appropriate percentage of tolerance.

Example

Normal inventory beginning 2nd qt. '43 × .10 = Tolerance beginning 2nd qt. '43.

Normal Inventory	×	Tolerance %	=	Amount of Tolerance
$60,753	×	.10	=	$6,075.30

B. Add the tolerance thus secured to the normal inventory.

Example

Tolerance beginning 2nd quarterly period '43	$6,075.30
Normal Inventory beginning 2nd quarterly period '43	60,753.00
Inventory Limit . . .	$66,828.30

COMPUTATION OF ALLOWABLE RECEIPTS AT COST VALUE ON THE BASIS OF PROJECTED SALES

I. Computation of the COST OF PROJECTED SALES for a quarterly period, using the second quarterly period of 1943 as an example.

A. Divide the cost of goods sold during the corresponding quarterly period of the preceding year by the net sales during the corresponding quarterly period of the preceding year.

Example

$$\frac{\text{Cost of goods sold 2nd qt. '42}}{\text{Net sales 2nd qt. '42}} = \text{Cost ratio for 2nd qt. '43}$$

$$\frac{\$66{,}000}{\$110{,}000} = 60\%$$

B. If such data are not available, use the cost of goods sold and net sales on the most recent federal income tax return.

Example

$$\frac{\text{Cost of goods sold during taxable year 1942}}{\text{Net sales during taxable year 1942}} = \text{Cost ratio for any qt. of '43}$$

C. Multiply the projected sales for the quarterly period computed in accordance with Appendix A, by the cost ratio for the quarterly period.

Example

Cost ratio × projected sales 2nd qt. '43 = Cost of projected sales for 2nd qt. '43

Cost Ratio ×	Projected Sales	=	Cost of Projected Sales
.60 ×	$115,500	=	$69,300

II. Computation of ALLOWABLE RECEIPTS for a quarterly period, using the second quarterly period of 1943 as an example.

A. Add the cost of projected sales for the quarterly period to the cost value of a normal inventory at the beginning of the next quarterly period.

Example

Cost of Projected sales 2nd qt. '43	$69,300
Normal inventory beginning 3rd qt. '43	54,000
Total A . . .	$123,300

B. Subtract from the sum thus secured the mercantile inventory on hand at the beginning of the current quarter.

Total A . . .	$123,300
(Minus) Mercantile Inventory beginning 2nd qt. '43	68,000
Allowable Receipts during 2nd qt. '43	$55,300

COMPUTATION OF ALLOWABLE RECEIPTS AT RETAIL VALUE USING PROJECTED SALES

I. Computation of ALLOWABLE RECEIPTS for a quarterly period, using the second quarterly period of 1943 as an example.

Add the projected sales and the projected markdowns for the quarterly period to a normal inventory at retail value at the beginning of the next quarterly period.

Example

Projected Sales 2nd qt. '43	$115,500
Projected Markdowns at Retail 2nd qt. '43 (Assume 4%) . . .	4,620
Normal Inventory at Retail beginning 3rd qt. '43	80,000
Total A . . .	$200,120

B. Subtract from the sum thus secured the mercantile inventory, at retail, on hand at the beginning of the quarterly period.

Example

Total A . . .	$200,120
(Minus) Mercantile Inventory at retail value beginning 2nd qt. '43	106,000
Allowable receipts at retail during 2nd qt. '43	$94,120

II

QUESTIONS AND ANSWERS ON INVENTORY LIMITATION

CONSUMERS' GOODS INVENTORY LIMITATION ORDER L-219

Questions and Answers

1. What is Order L-219?

Order L-219 is a consumers' goods inventory order and requires Controlled Merchants to restrict their receipts of consumers' goods when their inventories are larger in proportion to sales than their base period inventories.

2. Why is Order L-219 necessary?

Reduced supplies of consumers' goods have made necessary measures to assure the availability of essential civilian requirements in all areas. Order L-219 is designed to make adequate supplies of scarce merchandise available to wholesalers and retailers when and where they are most needed without disturbing the all-out war effort.

3. Who is a Merchant under Order L-219?

"Merchant" means any person engaged in retailing, wholesaling, jobbing or otherwise marketing consumers' goods either of his own or another's manufacture, and who maintains a mercantile inventory. (The answer to question 30 defines "mercantile inventory.")

4. Who is included in the order? That is, who is a "Controlled Merchant"?

Generally speaking, a controlled merchant is a merchant (wholesaler, retailer, or manufacturer with stock-carrying branches) who had both of the following:

a. A mercantile inventory of consumers' goods having a cost value of $50,000 or more, on or after November 30, 1942, at the end of any quarter of his federal income tax years and also

b. Net sales of consumers' goods of $200,000 or more during the twelve months preceding the end of the same quarter of his federal income tax year.

5. Who is exempt from coming under control of the order?

A merchant is not required to record his quarterly sales and inventories nor to restrict his receipts if any one of the following conditions exists:

a. If on and after November 30, 1942, he has a mercantile inventory of consumers' goods having a cost value of less than $50,000 at the end of each quarter of his federal income tax years; or

b. if on and after November 30, 1942, during the twelve months preceding the end of each quarter of his federal income tax years he has net sales of consumers' goods of less than $200,000; or

c. if more than 50% of his total net sales of all kinds of goods during his most recently completed inventory year were sales of articles named on List A; or

d. if his business is done entirely outside of the limits of the United States; or

e. if the business is conducted by governmental agency or corporation, including any United States Army or Marine Corps Post Exchange and any United States Navy Ship's Service Department.

6. After a merchant qualifies as a "Controlled Merchant," how long does he remain in that classification?

He ceases to be a controlled merchant after four quarters if at the end of each quarter either his mercantile inventory had a cost value of less than $50,000 or his net sales of consumers' goods amounted to less than $200,000 during the year preceding the end of the quarter.

7. What goods must a merchant include in his sales and inventories in determining whether his sales and inventories are large enough to make him a "Controlled Merchant" under question 4?

a. In computing his net sales, he should include only sales of consumers' goods, as defined in the next question, including any on List A.

b. In computing his mercantile inventories he should include only his mercantile stocks of consumers' goods, including any on List A. (See definition of "mercantile inventory" under question 30.)

c. Note, however, that he is not a controlled merchant if more than 50% of his sales of goods of all kinds (not just consumers' goods) are of the articles included in List A. (See question 5c above.)

8. What are consumers' goods?

Consumers' goods are goods which are suitable in form and type for sale to individual ultimate consumers for personal or household use. The test of consumers' goods is, "Do individuals buy the item in its *present form* for personal or household use?" Note, however, that quite apart from this test, items under questions 9 and 10 are not considered consumers' goods.

9. Are foods and beverages included in Order L-219?

No. Foods and beverages for human or animal consumption are expressly excluded from consumer's goods as defined in L-219.

10. What other items are entirely excluded from consumers' goods in Order L-219?

Producers' goods, fuel oil, gasoline, motor oil, greases, and related petroleum products are not included in Order L-219. Under some conditions, officers' uniforms and frozen goods are excluded also.

11. Does List B attached to the order and in Page 2 of the Definitions and Instructions accompanying Form PD-689 include all the articles which are consumers' goods?

No. List B on Form PD-689 is intended merely to present examples of consumers' goods. If an article other than food or petroleum products does not appear on the list, it must be included if it meets the test of "consumers' goods" given in the answer to question 8.

12. What is required of every controlled merchant by Order L-219?

Every merchant to whom the order applies is to do the following:

a. Record on a quarterly basis beginning with the first quarterly period of 1939, his total net sales and mercantile inventories of "consumers' goods."

b. Compute his "normal inventory" for each quarterly period beginning with the second quarterly period of 1943.

c. Compute his "inventory limit" by adding to his "normal inventory" the "tolerance" allowed.

d. Compare his actual inventory with his inventory limit at the beginning of the second quarterly period of 1943 and at the beginning of every quarterly period thereafter, in order to see whether he has exceeded his inventory limit.

13. What constitutes a violation of L-219?

a. Exceeding "allowable receipts" by months or quarters after exceeding one's inventory limit.

b. Failure to fill in and file Forms PD-690 and PD-713 with the WPB by the dates designated after exceeding one's inventory limit.

c. Failure to keep suitable records on file available for examination by the WPB on request.

d. Making a false statement or representation to WPB about matters reported in Forms PD-689, PD-690, PD-713, or in any other reports specifically required by the Director General for Operations, WPB.

14. Will a merchant's sales be limited as a result of recording, and if necessary, reporting his sales, inventory, or other figures?

No. The present order places no limit on sales. He should however, plan his purchases, stocks, and anticipated sales conservatively even when that means figuring his "open-to-buy" at less than the order allows in the calculation of his "allowable receipts." In other words, if his future sales picture is falling short of the past six months' trend, he ought to buy according to his reduced actual needs rather than up to the full extent of his inventory limit.

15. Since the order calls for records and calculations on a quarterly basis, does that mean that a controlled merchant can carry only inventories enough for 90 days' sales?

No. The amount of inventory that he may carry is not limited to his sales during the past 90 days. It is determined by his stock-to-sales ratio during the base period (1939-1941) applied to his present sales trend. If he averaged 200 days' sales requirements at the beginning of the second quarters of the base period, Order L-219 does not prohibit his carrying 200 days' stock at the beginning of the second quarter of the 1943 if he chooses.

16. At what time during each quarter should a controlled merchant's inventory be within the inventory limit computed on Form PD-690 in order for his stocks to conform to the maximum standard prescribed by Order L-219.

At the beginning of the quarter—or in other words, on the last business day of the immediately preceding quarter. It is not required that his inventory be less than his "inventory limit" for the quarter at all times during that quarter.

17. If his inventory is greater than his "inventory limit" what action must he take to remedy his overstocked condition?

The War Production Board does *not* wish to cause excess inventories to be thrown on the market at once and liquidated as quickly as possible. Rather, merchants are expected and advised to reduce their actual inventory, to their "inventory limit" by allowing their sales to continue at the normal rate and by limiting their purchases until their stocks have declined to the desired level.

18. What does a merchant do if his inventory at the beginning of any quarterly period is *less than* his "inventory limit"?

In this case, he need not report to the War Production Board unless it is specially requested. However, it would be advisable for him to calculate his "allowable receipts" for the next quarterly period and voluntarily to keep his receipts within that figure so that he may maintain his inventories at the normal level at all times.

19. What steps does the order require a merchant to take if his inventory at the beginning of any quarterly period is *greater than* his "inventory limit"?

a. He must complete two copies of Form PD-690 and send one copy to the War Production Board, Washington, D. C., retaining the duplicate in his files.
b. He must complete two copies of Form PD-689 on the first occasion that he mails Form PD-690, and send the original to the War Production Board, Washington, D. C.
c. He must compute his "allowable receipts" for the quarterly period and keep his actual receipts within his allowable. Also he must restrict his receipts for the first month of the quarter to *not more than one-third* of the quarterly "allowable receipts," and for the first two months of the quarter to not more than two-thirds of the quarterly "allowable receipts."
d. He must complete two copies of Form PD-713, and mail the original copy to the War Production Board, Washington, D. C., not later than the twenty-fifth day of the second and third months.
e. He must send in at the start of the next quarter another Form PD-690 showing his status at that time.

20. Suppose his inventory is excessive and that he has almost no "allowable receipts," what may he do?

He is allowed to receive during any quarterly period, up to one-third of his sales at cost or at retail (dependent upon whether he values his inventories at cost or at retail), during the preceding quarterly period—even though he has no other "allowable receipts."

21. Must he cancel all outstanding commitments or orders when he has no more "allowable receipts"?

If delivery is specified within the month in which he has already used his entire allowable receipts, he must:

a. Postpone receipt until such time as his allowable receipts permit additional goods to be received, or
b. refuse to accept delivery, or
c. assign the orders or commitments to someone who is open to buy for his own account.

22. If an assignment cannot be arranged, and if a manufacturer or supplier insists on shipping consumers' goods when the merchant has no allowable receipts, what shall the merchant do?

He must refuse delivery of such goods.

23. Does L-219 place any restrictions on making new commitments for merchandise?

No, but deliveries must occur during periods in which the merchant has sufficient "allowable receipts."

24. Under what conditions is a controlled merchant required to submit a report?

He is required by the order to file reports only when his mercantile inventory is greater than his inventory limit at the beginning of any quarterly period after the first quarterly period of his 1943 inventory year. When that condition occurs, the following report forms are to be filled out and filed:

a. PD-690, to report current sales, inventories, and the calculation of allowable receipts.
b. PD-689, to report base period sales and inventories. (This is submitted only once, at the time Form PD-690 is filed for the first time.)
c. PD-713, to report monthly receipts if he has exceeded his inventory limit.
d. PD-691 is available to him as a worksheet to calculate base period inventories and cost of goods sold by quarters if he has no quarterly records for 1939, 1940 and 1941. However, he need not send it to WPB unless specifically requested to do so.

25. When is the first report due from a merchant with an inventory over his inventory limit?

Twenty-five days after the beginning of the quarterly period, i. e. March 25, April 25 or May 25, 1943, dependent upon the beginning date of his inventory year, if his mercantile inventory at the beginning of his second quarterly period of 1943 is over his inventory limit.

26. Where shall he send his reports on Forms PD-689, PD-690 and PD-713?

He should retain one copy of each for his files. He must send the original of each to the War Production Board, Washington, D. C., Ref: L-219.

27. If a merchant exceeds his inventory limit, and is required to file reports, how long must he continue to submit reports on Forms PD-690 and PD-713?

Until he has reported on Form PD-690 that his mercantile inventory at the beginning of a quarterly period of his inventory is less than his inventory limit.

28. What is a merchant's "inventory limit"?

His inventory limit is his "normal inventory" (see question 50) plus his "tolerance" (see questions 48 and 49).

29. When are goods "held for sale" by a merchant?

Goods are "held for sale" if:

a. He is currently offering them for sale (e. g., goods on display); or
b. he intends to sell them at some future date (e. g., seasonal goods or goods for speculative purposes, although such goods may be in storage); or
c. he has transferred possession of them to someone else who does not intend to use them or to sell them to a third party, but who is to deliver them either back to the merchant for sale or to the merchant's customers (e. g., piece goods placed in the hands of a contractor for processing, whether or not the operations are completed).

30. What is a mercantile inventory?

A mercantile inventory is a stock of consumers' goods, other than a factory inventory, held for sale by a person engaged in marketing such goods. Examples: Inventories of retail stores, inventories of wholesalers, inventories of commission men, inventories of jobbers, and inventories of stock-carrying branch houses of manufacturing enterprises.

31. What stocks must retailers, wholesalers, and the like, include in mercantile inventory?

Each will include in his inventory:

a. All consumers' goods in his possession which he holds for sale,
b. all consumers' goods to which he has title and which he holds for sale.
c. Goods in transit may be included or excluded so long as the merchant deals with them the same as he has in the past for accounting or income tax purposes.

Note that if any of the merchant's goods are in the possession of another person who holds them for sale on consignment or memo billing from the merchant, they are part of that person's inventory and are not to be included in the inventory of the merchant who consigned or billed them. Also note that goods which the merchant owns and has acquired for purposes of sale, but which are being held for him by the person from whom he bought them, are his inventory, and not the vendor's.

32. Should a merchant exclude his sales and inventories of articles named in List A?

If more than 50 per cent of his sales of goods of all kinds during his most recently completed inventory year are of articles named on List A, he is not a controlled merchant.

If 50 per cent or less of his sales are of goods on List A, he should include his total sales and inventories of consumers' goods including sales and inventories of the consumers' goods in List A. Note that not all goods on List A are consumers' goods.

33. What about "supplies" recorded on Form PD-336 under Order L-63?

They are to be treated like other articles on List A. Unless more than 50% of a merchant's total net sales are composed of "supplies" as defined under L-63, and of other goods on List A, thus exempting him under Order L-219, he is required to comply with provisions of not only L-63 but L-219 as well.

34. How are "frozen goods" defined in Order L-219?

Any consumers' goods in stock which are selling at a substantially less rapid rate than normal because of governmental regulations which specifically restrict the sale of those consumers' goods (such as typewriters and automobile tires) to preferred classes of persons based on special need are considered "frozen goods."

35. Must a merchant include "frozen goods" in determining the amount of his inventory?

He must include them in determining whether or not he is a controlled merchant. If he is a controlled merchant, then if the "frozen goods" have been in his mercantile inventory longer than four months, he may deduct from the value of his mercantile inventory on hand at the beginning of any current quarterly period an amount in dollars equal to:

a. The value on that date of those "frozen goods," minus
b. The cost of the "frozen goods" of that kind sold by him during the immediately preceding quarterly period.

36. Must a merchant include his stock of uniforms in determining the amount of his inventory?

He must include it in determining whether or not he is a controlled merchant. If he is a controlled merchant, then he may exclude his stock of uniforms produced under Preference Rating Order P-131, provided that he also excludes his current sales and receipts of such uniforms consistently.

37. The definition of a mercantile inventory states that it does not include any "factory inventory." What is a factory inventory?

A factory inventory is an inventory of consumers' goods which are stored by the manufacturer of such goods at, or in the immediate vicinity, of the place where their manufacture was completed, and which are not being offered for sale to individual ultimate consumers.

38. Inasmuch as factory inventories are excluded, are manufacturers of consumers' goods under Order L-219?

A manufacturer who carries a mercantile inventory comes under the order if he qualifies as a controlled merchant under question 4.

39. If a manufacturer qualifies as a controlled merchant, what portions of his inventories, sales and receipts are used in his calculations under Order L-219?

a. *Mercantile Inventories*
   i. He excludes factory inventories of consumers' goods.
   ii. He excludes raw materials and semi-finished goods in process at the factory.
   iii. He excludes consumers' goods which have been shipped on consignment or on memorandum to a merchant for sale by such merchant.
   iv. He includes his mercantile inventories of the consumers' goods he manufactured which are held at:
      (a) stock-carrying branch houses, owned or controlled by him,
      (b) retail stores, owned or controlled by him,
      (c) warehouses not in the vicinity of the factory, where he manufactured the goods stored in them.
   v. He includes consumers' goods purchased by him for resale.
b. *Sales*
   i. He excludes sales made as a manufacturer from factory inventories.
   ii. He includes sales from mercantile inventories of the consumers' goods he manufactured.
   iii. He includes sales of consumers goods purchased by him for resale.
c. *Merchandise Receipts*
   He includes:
   i. Consumers' goods purchased, or acquired by him in other ways, for resale.
   ii. Consumers' goods received into his mercantile inventory from his factory inventory.

40. What is an inventory year?

An inventory year under L-219 is the recurrent twelve calendar month period beginning either December 1, January 1, or February 1 of each year, whichever corresponds with the beginning date of a quarter of the merchant's federal income tax year.

If he operates on a 13 month basis, or on a 4 quarters of 13 weeks each basis, he may select a date for the beginning of his inventory year as near as possible to the beginning date of the quarter of his federal income tax year which is nearest to December 1, January 1, or February 1.

In any event, each inventory year shall consist of four "quarterly periods" of three months each, except that a merchant who operates on a 13-month calendar or on a 4 quarters of 13 weeks each basis may adopt an inventory year of four thirteen-week "quarterly periods," each divided into one five-week and two four-week months.

41. What is the "base period"?

The years 1939 to 1941 inclusive compose the base period for all who were in business during those years. For these years a controlled merchant will record quarterly inventory figures and net dollar sales figures, as illustrated in the answer to question 50.

42. Suppose a merchant does not have quarterly inventory records?

Form PD-691 provides a method of estimating his base-period inventories by quarters from his income tax figures.

43. Suppose a merchant's business was started after 1939, what will be his base period?

He should include in his base period and list on Form PD-689 as many complete consecutive quarterly periods as he can between December 1, 1939, and February 1, 1942. If that is less than four, he should continue into 1942 far enough to get four consecutive periods in all.

44. What if he bought his business after 1939?

He should fill in the beginning inventories and net sales of the predecessor business for the period prior to his ownership—if such records are available to him. If records are not available, he should treat his business as if it had first begun operations when he bought it. (See question 43.)

45. How does a merchant arrive at the cost value of inventory?

The cost value of his inventory may be computed by any method of valuation which meets the requirements of generally accepted accounting practice or

which he uses for balance sheet and profit and loss statement purposes, and which he uses consistently in all the reports he prepares under this order. Any method acceptable for federal income tax purposes is satisfactory.

46. Must he report his inventories at cost, if he employs the "retail method" of valuing inventories?

If he uses the "retail method" of valuing inventories he may, at his option, elect to value his inventories at "retail value" or at "retail value" reduced to "cost value." If he elects to value his inventories at retail, his "tolerance" will be two percent less than it would be if he chose to value his inventories at retail reduced to "cost value" or "cost."

47. How does a merchant compute net sales?

In computing net sales, he subtracts from gross sales (including drop shipments) all proper deductions, such as returns, allowances, and discounts. He may subtract the same items he has been accustomed to, so long as in doing so he is not violating good accounting practice and so long as he follows the same practice in preparing all the records he keeps under this order. He may use the method of figuring his annual net sales as reported on his federal income tax report as the basis for complying with the provisions in Order L-219 in respect to his net sales.

48. What "tolerance" will controlled merchants be allowed?

They are allowed the following tolerances expressed as a percentage of their "normal inventory" (and to be added to their "normal inventory" to obtain their "inventory limit"):

a. For those of them with inventories in the Mountain and Pacific Time Zones.
   - If inventories are valued at "cost value":
     - i. 15%—at the beginning of the second quarterly period of of their 1943 inventory year
     - ii. 10%—thereafter.
   - If inventories are at "retail value":
     - iii. 13%—at the beginning of the second quarterly period of their 1943 inventory year.
     - iv. 8%—thereafter.

b. For those of them with inventories in the Central and Eastern Time Zones.
   - If inventories are valued at "cost value":
     - i. 10%—at the beginning of the second quarterly period of their 1943 inventory year.
     - ii. 5%—thereafter.
   - If inventories are at "retail value":
     - iii. 8%—at the beginning of the second quarterly period of their 1943 inventory year.
     - iv. 3%—thereafter.

49. If a controlled merchant maintains mercantile inventories in both the East and in the West, how should the "tolerance" factor be applied?

a. If inventory records are available by geographic areas and inventories are valued at cost value.
   - i. Take the percentage of the total inventory at the beginning of the quarterly period in the Mountain and Pacific Time Zones, and in the Central and Eastern Time Zones. Example: Total inventory at the beginning of the first quarterly period, $250,000. Inventories held in the Mountain and Pacific Zones, $100,000 or 40 per cent of total; in the Eastern and Central Times Zones, $150,000, or 60 per cent.
   - ii. Apply the percentages calculated, according to the instructions above, to be computed "normal inventory."

   Example: Computed "normal inventory" at the beginning of the second quarterly period, $200,000. "Normal inventory" apportioned to the Mountain and Pacific Time Zones $80,000 (40% of $200,000) and to the Eastern and Central Time Zones $120,000 (60% of $200,000).

   - iii. Apply the 15% tolerance to that portion of the inventory allotted to the West (15% of $80,000) and 10% tolerance to the portion allotted to the East (10% of $120,000).
   - iv. Add the figures thus obtained ($12,000 and $12,000) to the normal inventory ($200,000) to secure the inventory limit for the business ($224,000).

b. If the inventories are at retail value instead of at cost, apply tolerances of 13% and 8% respectively for the second quarterly period of 1943.

c. If no inventory records are available by geographic areas, write to the Director General for Operations for instructions, describing the records which are available on a geographic basis.

50. Can you illustrate by example how to calculate a controlled merchant's normal inventory and inventory limit?

The example used is a computation of the normal inventory for a medium sized retail or wholesale establishment. Let us assume that it uses January 1, 1939, as the beginning date of the base period. The years 1939-40-41 are the "base period" years.

I. *Base period and current period inventories and sales*

Year	Quarterly period	Quarter beginning	Beginning dollar inventories at cost value	Net dollar sales
1939	1	January 1	$40, 000	$80, 000
	2	April 1	50, 000	100, 000
	3	July 1	50, 000	100, 000
	4	October 1	60, 000	120, 000
1940	1	January 1	44, 000	86, 000
	2	April 1	56, 000	104, 000
	3	July 1	54, 000	102, 000
	4	October 1	64, 000	128, 000
1941	1	January 1	50, 000	90, 000
	2	April 1	56, 000	104, 000
	3	July 1	54, 000	114, 000
	4	October 1	64, 000	130, 000
1942	1	January 1	54, 000	92, 000
	2	April 1	64, 000	110, 000
	3	July 1	60, 000	120, 000
	4	October 1	76, 000	136, 000

II. *Base period total beginning inventories at cost value by quarterly periods*

1st quarterly period $134,000. (Inventories on Jan. 1, 1939, Jan. 1, 1940, Jan. 1, 1941.)
2nd quarterly period $162,000. (Inventories on April 1, 1939, April 1, 1940, April 1, 1941.)
3rd quarterly period $158,000. (Inventories on July 1, 1939, July 1, 1940, July 1, 1941.)
4th quarterly period $188,000. (Inventories on Oct. 1, 1939, Oct. 1, 1940, Oct. 1, 1941.)

III. *Base period total net sales—By quarterly periods*

1st quarterly period $256,000. (Sales in quarters beginning Jan. 1, 1939, Jan. 1, 1940, Jan. 1, 1941.)
2nd quarterly period $308,000. (Sales in quarters beginning April 1, 1939, April 1, 1940, April 1, 1941.)
3rd quarterly period $316,000. (Sales in quarters beginning July 1, 1939, July 1, 1940, July 1, 1941.)
4th quarterly period $378,000. (Sales in quarters beginning Oct. 1, 1939, Oct. 1, 1940, Oct. 1, 1941.)

IV. *Normal inventory-sales ratios*

The normal inventory-sales ratio is computed by dividing the base period total inventory for each quarter by the base period total sales for that quarter, to three decimal places.

Example:	1st Quarterly Period.	$134,000 divided by $256,000	0. 523
	2nd Quarterly Period.	$162,000 divided by $308,000	. 526
	3rd Quarterly Period.	$158,000 divided by $316,000	. 500
	4th Quarterly Period.	$188,000 divided by $378,000	. 497

V. *Sales Ratio for Second Quarterly Period, 1943*

To calculate the sales ratio for the second quarterly period of 1943, divide sales during the 4th quarterly period of 1942 by sales during 4th quarterly period of 1941. (Ratios for other periods are computed by using corresponding past periods.)

Example:	4th Quarterly Period net sales 1942	$136, 000
	4th Quarterly Period net sales 1941	130, 000
	Sales ratio	$\frac{136,000}{130,000}=1.05$

VI. *"Projected sales"—Second quarterly period, 1943*

To calculate projected sales for the second quarterly period of 1943 take second quarterly period sales of 1942 and apply the calculated sales ratio.

Example:	2nd quarterly period 1942 sales	$110, 000
	Sales ratio	1. 05
	Projected sales	115, 500

VII. *"Normal inventory"—Beginning of second quarterly period, 1943*

To calculate normal inventory multiply projected sales ($115,500) by the normal inventory-sales ratio (.526) for second quarterly period.

Example:	Projected sales	$115, 500
	Inventory-sales ratio	.526
	Normal inventory	60, 753

VIII. *"Tolerance"—Beginning of second quarterly period, 1943*

To calculate "Tolerance", apply the percentage specified in answer to questions 48 and 49, according to time zones in which the business operates, to the normal inventory for the beginning of the second quarterly period of 1943. For the purpose of illustration, assume that tolerance is to be calculated for a concern whose entire business is operated in the Central and Eastern time zones.

Example:	Normal inventory	$60, 753
	Tolerance percentage	. 10
		6, 075. 30

(The tolerance percentage for this concern will be 5% after the second quarter 1943.)

IX. *Inventory limit—Beginning of second quarter, 1943*

To calculate inventory limit, add tolerance to normal inventory.

Example:	Normal inventory	$60, 753. 00
	Tolerance	6, 075. 30
		66, 828. 30

51. Must a merchant use any particular methods of accounting?

No particular method is prescribed. The only requirements are:

a. A merchant must use those accounting methods and figures which are in accordance with his books of account or income tax returns and which follow generally accepted accounting practices.
b. A merchant must consistently employ the same method throughout all his records relating to this order from the beginning of the base period to the present time.
c. If his accounting methods materially changed at some time after the beginning of 1939, he must write to the Director General of Operations, WPB, for specific instructions as to the adjustments to be made, sending as much pertinent information as he can, in order that a decision may be reached without undue delay.

52. Should a controlled merchant fill in forms PD–689, PD–690 and PD–713 on a departmental, divisional or total company basis?

He should use a total company basis. However, it is hoped that departmentized stores will conduct each department or division in accordance with the basic principles illustrated in Forms PD–689 and PD–690 for total company operations. A few concerns will be required to keep separate records for "company" stores.

53. If he prefers a departmental or divisional control, may he complete his forms on that basis?

No. He must conform to the over-all basis, except in the case of "company" stores and ownership groups which are specially treated.

54. If he is located in a defense area, will he be allowed sufficient inventories to take care of increased sales without exceeding his normal inventory?

He will calculate his normal inventory on the basis of his current sales trend. Therefore, if his current sales are 20 per cent higher than last year, he may carry an inventory which is proportionate to his increased sales, based upon his base period inventory-to-sales experience. (See question 50 for method of calculating sales ratio).

A merchant's normal inventory is based on the normal inventory-sales ratio of the base period. For example, if for every dollar of sales he required an inventory of one dollar and ten cents in the base period, the same ratio will apply to his increased business.

55. A merchant's turnover has been slow in the past and he has always carried heavy stocks in relation to his sales. Can he continue to do so without exceeding the inventory permitted by L–219?

If he carried heavy stocks in relation to his sales during the base period, he may continue to carry the same proportion of inventory to sales without having stocks which violate L–219.

56. If his business is seasonal, how can he carry enough stock to meet his peak sales period without exceeding the amount permitted by L–219?

Unless there has been a decided change in his seasonal pattern, his peak period business will be reflected in his base-period stock-to-sales ratio. Example: If his peak comes in the October, November, and December quarter, his stock-to-sales ratio will be higher during this quarter than for the July, August, and September quarter.

57. If he is located at a distance from his supplier and needs to carry relatively heavy stocks, can he carry enough merchandise to meet his needs without having more than permitted by L–219?

He can carry the same amount of stock in relation to his sales as he did during the base period. Larger "tolerance" in calculating the "inventory limit" is allowed for the Pacific and Mountain Time Zones to offset current transportation uncertainties.

58. If he is a member of a wholesaler-sponsored cooperative does he come under L–129 as an individual merchant?

Each independent merchant in a wholesaler-sponsored cooperative is treated separately in determining whether he is a controlled merchant. The sponsoring wholesaler is treated separately for his establishment.

59. If a merchant is the operator of a leased department or a chain of leased departments, how are his sales, inventories, and receipts of merchandise treated?

An independent operator of a leased department or a chain of leased departments segregates his sales, inventories and receipts of merchandise from those of the lessor (dept. store, etc.). If he operates a chain of leased departments his records should be totaled for the entire chain for the purpose of this order.

60. If a merchant manages a company which is owned and controlled by another company, how should records be kept for this order?

Only a single set of consolidated records is required to be kept for the parent company and all its subsidiaries.

61. If a merchant operates both a wholesale and retail business, should he segregate them in keeping his records?

He must keep combined records covering both the wholesale and the retail parts of his business. He may also for his own purposes keep additional segregated records if he wishes.

62. If he operates a company store, or a commissary, must he keep separate records for that phase of his business?

In some cases he must. If the volume of sales of consumers' goods he makes through his company store and the stock of consumers' goods he carries for sale through it are great enough so that his company store operations, considered as a separate business, qualify it to be a controlled merchant, he must keep separate records of the company store portion of his business.

63. Where can a merchant get Forms PD–689, PD–691, and PD–713?

a. Forms PD–689, PD–690, and PD–691 may be obtained at any first class post office or any WPB Field Office after January 15.

b. Form PD–713 may be obtained at WPB Field Offices.

64. Has any provision been made for protecting persons from liability for damages for defaults in contracts and orders resulting from compliance with Order L–219?

Pursuant to the Second War Powers Act of 1942, Priorities Regulation No. 1, Section 944.13, provides that: "No Person shall be held liable for damages or penalties for any default under any contract or order which shall result directly or indirectly from compliance with any rule, regulation or Order of the War Production Board, . . ."

List A

Lines of goods (whether or not consumers' goods) qualifying merchants for exemption

Antiques.
Coffins, burial caskets, and burial vaults.
Farm machinery and equipment, and attachments and repair parts therefor.
Foods and confections.
Jewelry having a selling price of $200 or more per piece.
Coal, fuel oil, gasoline, and miscellaneous heat or power fuel.
Flowers and plants, except artificial types.
Grain.
Hay.
Lumber and building materials, except hardware.
Nonalcoholic beverages.
Rubber tires.
Stock food.
Typewriters.
Supplies, as defined in 1046.1. Suppliers' Inventory Limitation Order L–63, concerning which the merchant is required to keep and actually keeps records on Form PD–336.
Motor oil and grease.
Motor vehicles and motor vehicle replacement parts.
Second-hand goods
Seeds for farm use.
"Consumers' goods" imported into the United States.

III

INVENTORY LIMITATION FORMS

FORM **PD-689**
112-30-42)

UNITED STATES OF AMERICA
WAR PRODUCTION BOARD

BUREAU OF THE BUDGET NO. 12-R033-43
APPROVAL EXPIRES JULY 30, 1943

DATE 194

CODE - DO NOT USE

G
F
N OF B
SIZE
AREA

MERCHANTS' BASE PERIOD RECORD OF INVENTORIES AND SALES OF CONSUMERS' GOODS

TO: War Production Board, Washington, D. C.
ATTN: *Ref: L-219*

INSTRUCTIONS

READ CAREFULLY "Instructions and Definitions for the Use of Forms PD-689 and PD-690" before filling in this form *(SEE SEPARATE INSTRUCTIONS)*

Do not send this form to Washington unless your inventory *(physical, book, or calculated)* at the beginning of any quarterly period, commencing with the second quarterly period of 1943, is greater than your "Inventory Limit." *(See Form PD-690, Section II A, Lines 9 and 10.)*

If you are a Controlled Merchant *(See Definition I (b) and I (c))* you may use this form in connection with Inventory Order L-219 to aid you in computing your "Inventory Limit" on Form PD-690.

If your inventory *(See Form PD-690, Section II A, Line 10)* is less than your "Inventory Limit" *(See Form PD-690, Section II A, Line 9)*, you NEED NOT file a report with the War Production Board.

If your inventory is GREATER THAN your "Inventory Limit," YOU MUST fill in two copies of this form *(use typewriter or ink)* and file the original with the War Production Board, Washington, D. C., Ref: L-219, NOT LATER than 25 days after the beginning of the second quarterly period of 1943.

NOTE: Form PD-689 is to be filed ONLY ONCE with the War Production Board, pursuant to Order L-219.

"Consumers' Goods" are goods suitable for sale to individual ultimate consumers and/or household buyers, including, but not limited to items on List B *(Page 2, Instructions and Definitions)*. Consumers' goods do not include any food or beverage for human or animal consumption, or any fuel oil, gasoline, motor oil, grease, or allied petroleum products.

"Interrelation with Suppliers' Inventory Limitation Order L-63" — Nothing in Order L-219 shall be construed to relieve any person of the duty of complying with Section 1046.1, Suppliers' Inventory Order L-63.

No Merchant is subject to Inventory Order L-219, if: MORE THAN fifty per cent of its total net sales during the most recently completed inventory year consisted of one or more of the following commodities on List A. If part of the total net sales of a Controlled Merchant were of commodities on List A but such part amounted to FIFTY PER CENT OR LESS of its total net sales, the merchant shall report his total mercantile inventories and sales of consumers' goods and shall include in those totals the mercantile inventories and sales of the consumers' goods on List A.

LIST A

Antiques
Nonalcoholic Beverages
Coal, Fuel Oil, Gasoline and Miscellaneous Heat or Power Fuel
Coffins, Burial Caskets, and Burial Vaults
Motor Oil and Grease
Motor Vehicle and Motor Vehicle Replacement Parts
Rubber Tires
Secondhand Goods
Farm Machinery and Equipment, and attachments and repair parts therefor
Flowers and Plants, except artificial types
Foods and Confections
Stock Food
Seeds for Farm Use
Typewriters
"Supplies," as defined in Section 1046.1 *(Suppliers' Inventory Limitation Order L-63)*, concerning which the merchant is required to keep and actually keeps records on Form PD-336.
Grain
Hay
Jewelry having a selling price of $200 or more per piece
Lumber and Building Materials *(except hardware)*
"Consumers' Goods" imported into the United States

CONSOLIDATED REPORTS: Every Controlled Merchant must have available one consolidated analysis for its total operations. *(See Instruction 3)*.

I - NAME AND ADDRESS (HOME OFFICE ADDRESS) OF REPORTING FIRM

(a) NAME OF CONCERN	(b) ADDRESS *(Street, City, State)*	(c) NAME OF PARENT COMPANY *(if any)*

(d) NAMES OF ANY SUBSIDIARIES OR AFFILIATED COMPANIES COVERED IN THIS REPORT

II - TOTAL NET SALES AND MERCANTILE INVENTORIES OF CONSUMERS' GOODS (SEE DEFINITION 2)

TOTAL NET SALES SHOULD COVER THE YEAR BEGINNING DECEMBER 1, 1941 AND ENDED NOVEMBER 30, 1942, OR BEGINNING JANUARY 1, 1942 AND ENDED DECEMBER 31, 1942, OR BEGINNING FEBRUARY 1, 1942 AND ENDED JANUARY 31, 1943, WHICHEVER ONE OF THE THREE BEGINNING DATES APPROXIMATELY CORRESPONDS WITH THE BEGINNING DATE OF A QUARTER OF YOUR TAX YEAR FOR FEDERAL INCOME TAX PURPOSES. TOTAL NET MERCANTILE INVENTORIES *(AT COST)* SHOULD BE RECORDED AS OF NOVEMBER 30, 1942, DECEMBER 31, 1942, OR JANUARY 31, 1943, IN CONFORMANCE WITH THE ENDING DATE OF THE SPECIFIED YEAR. IF YOU BECAME SUBJECT TO ORDER L-219 DURING THE YEAR ENDING THE LAST DAY OF ANY MONTH AFTER JANUARY 31, 1943, SPECIFY THAT YEAR BELOW.

Check the year for which you are reporting

☐	☐	☐	☐	☐
FROM DECEMBER 1, 1941 TO NOVEMBER 30, 1942	FROM JANUARY 1, 1942 TO DECEMBER 31, 1942	FROM FEBRUARY 1, 1942 TO JANUARY 31, 1943	FROM *(Month, Day, Year)* 194	TO *(Month, Day, Year)* 194

ITEM	DOLLARS
(a) TOTAL NET SALES OF "CONSUMERS' GOODS" *(See Definition 2)*	
(b) TOTAL NET MERCANTILE INVENTORIES OF "CONSUMERS' GOODS" *(AT COST)*	

III - FIELD OF BUSINESS OPERATION OF THIS CONCERN

(a) PLACE CHECK MARK IN PROPER SQUARE: IF YOU DO BOTH A WHOLESALE AND RETAIL BUSINESS PLEASE PLACE A CHECK MARK IN BOTH SQUARES *(Check which)* ☐ WHOLESALING ☐ RETAILING

ITEM	PER CENT
(b) IF YOU ARE ENGAGED BOTH IN WHOLESALING AND RETAILING ENTER THE APPROXIMATE PERCENTAGE OF YOUR SALES FOR THE SPECIFIED YEAR IN EACH FIELD:[1] *(Manufacturers: Sales made from stock-carrying branches are to be considered as wholesale sales)* (1) WHOLESALING	
(2) RETAILING	
TOTAL	100
(c) APPROXIMATELY WHAT PERCENTAGE OF THE MERCHANDISE SOLD DURING THE SPECIFIED YEAR *(measured by dollars of net sales)* DID YOU MANUFACTURE?	

[1] *For the purpose of calculating the above percentages: (1) treat as retail sales all sales made to ultimate consumers for personal or household use at Retail Sales prices. (2) treat all other sales as wholesale sales.*

IV - KIND OF BUSINESS

ENTER BELOW USUAL DESIGNATION BY WHICH THE BUSINESS IS KNOWN TO THE TRADE OR PUBLIC SUCH AS: DEPARTMENT STORE, DRUG STORE, JEWELRY STORE, APPAREL STORE; OR DRUG WHOLESALER, HARDWARE WHOLESALER, ETC.

(a) WHOLESALERS *(write in)*	RETAILERS *(write in)*	MANUFACTURERS *(write in)*

(b) LIST THE PRINCIPAL KINDS OF MERCHANDISE SOLD IN THE ORDER OF THEIR DOLLAR SALES IMPORTANCE DURING THE SPECIFIED YEAR:

WHOLESALE *(Includes Branch Sales)*		RETAIL	
1ST	2ND	1ST	2ND

EXAMPLES: Hardware, furniture, men's shoes, dry goods, women's clothing, etc.

V - INVENTORIES, SALES, AND INVENTORY RATIOS

(a) IF ABLE TO SEGREGATE "CONSUMERS' GOODS" FILL IN ALL COLUMNS. IF IMPRACTICABLE *(Definition 9)* TO SEGREGATE "CONSUMERS' GOODS" FILL IN COLUMNS (a), (c), AND (e) ONLY. INCLUDE "SUPPLIES," INSTRUCTION 6, WHICH ARE CONSUMERS' GOODS, IN YOUR INVENTORIES AND SALES OF "CONSUMERS' GOODS," IF YOU ARE A CONTROLLED MERCHANT. *(See Instructions 1a (1), 1a (2), 1a (3), also Instruction 3)*.

(b) INCLUDE IN YOUR INVENTORIES: ***MERCANTILE INVENTORIES*** ONLY *(See Definition (2)-(a))* ***AND***, IN YOUR SALES: SALES FROM MERCANTILE INVENTORIES, PLUS DIRECT SHIPMENTS FROM A VENDOR TO YOUR CUSTOMERS.

(c) YOU MAY LIST YOUR MERCANTILE INVENTORIES AT COST VALUE OR AT RETAIL.

(d) FILL IN THE FOLLOWING SCHEDULE ACCORDING TO THE DIRECTIONS GIVEN IN INSTRUCTION 1.

NOTE: YOU ARE NOT REQUIRED TO HAVE TAKEN A PHYSICAL INVENTORY AT THE BEGINNING OF EACH QUARTERLY PERIOD. YOUR INVENTORY RECORDS FOR FEDERAL INCOME TAX RETURNS MAY BE USED AS A BASIS FOR ESTIMATING YOUR INVENTORIES AT THE BEGINNING OF INTERVENING QUARTERLY PERIODS.

INVENTORY YEAR	QUARTERLY PERIOD *(Enter beginning and ending month)*			LINE NUMBER	BEGINNING TOTAL DOLLAR MERCANTILE INVENTORIES *(Check which)* ☐ AT COST VALUE ☐ AT RETAIL VALUE		DOLLAR VALUE OF TOTAL NET SALES		INVENTORY RATIO USE LINES 13 TO 16 ONLY
	QUARTER	TO	FROM		ALL GOODS *(Dollars)* (a)	"CONSUMERS' GOODS" ONLY *(Dollars)* (b)	ALL GOODS *(Dollars)* (c)	"CONSUMERS' GOODS" ONLY *(Dollars)* (d)	(e)
1939	1ST			1					*(Column (b) divided by column (d); if impracticable to segregate "Consumers' Goods" from your totals then column (a) divided by (c))* *NOTE:* COMPUTE TO THREE DECIMAL PLACES.
	2ND			2					
	3RD			3					
	4TH			4					
1940	1ST			5					
	2ND			6					
	3RD			7					
	4TH			8					
1941	1ST			9					
	2ND			10					
	3RD			11					
	4TH			12					XXXXX
THREE YEAR BASE PERIOD TOTALS	1ST	*(Lines 1 & 5 & 9)*		13					
	2ND	*(Lines 2 & 6 & 10)*		14					
	3RD	*(Lines 3 & 7 & 11)*		15					
	4TH	*(Lines 4 & 8 & 12)*		16					
1942	1ST			17					
	2ND			18					
	3RD			19					
	4TH			20					
1943	1ST			21					XXXXX

REMARKS:

CERTIFICATION

THE UNDERSIGNED CERTIFIES THAT THE INFORMATION CONTAINED IN THIS REPORT IS CORRECT AND COMPLETE TO THE BEST OF HIS KNOWLEDGE AND BELIEF.

NAME OF MERCHANT OR MANUFACTURER	SIGNATURE OF AUTHORIZED OFFICIAL
DATE	TITLE

SECTION 35(A) OF THE UNITED STATES CRIMINAL CODE, 18 U.S.C. SEC. 80, MAKES IT A CRIMINAL OFFENSE TO MAKE A WILLFULLY FALSE STATEMENT OR REPRESENTATION TO ANY DEPARTMENT OR AGENCY OF THE UNITED STATES AS TO ANY MATTER WITHIN ITS JURISDICTION.

FORM **PD-690**
(12-30-42)

UNITED STATES OF AMERICA
WAR PRODUCTION BOARD

BUREAU OF THE BUDGET NO. 12-R049-42
APPROVAL EXPIRES JULY 30, 1943

MERCHANTS' REPORT OF INVENTORIES AND SALES OF "CONSUMERS' GOODS"—BEGINNING OF SECOND QUARTERLY PERIOD 1943

DATE	194
CODE - DO NOT USE	
R	
F	
R OF R	
SIZE	
AREA	

TO: War Production Board, Washington, D. C.
ATTN: *Ref. L-219*

INSTRUCTIONS

Read carefully "Instructions and Definitions—For Use of Forms PD-689 and PD-690" before filling in this form. *(SEE SEPARATE INSTRUCTIONS)*

If you are a Controlled Merchant you may use this form in connection with Inventory Order L-219 to aid you in arriving at your "normal inventory" (See Section II A, Line 7, *below*).

If your "inventory" (See Section II A, Line 10, *below*) is *less than* your "Inventory Limit" (See Section II A, Line 9, *below*) you *need not* file a report with the War Production Board.

If your "inventory" is *greater than* your "Inventory Limit" you must complete this entire form in duplicate. Mail the original *not later than* 25 days after the beginning of *your* second quarterly period in 1943 to War Production Board, Washington, D. C., Ref. L-219.

I - NAME AND ADDRESS OF REPORTING FIRM. (YOUR NAME AND ADDRESS MUST CORRESPOND EXACTLY WITH YOUR NAME AND ADDRESS ON FORM PD-689.)

(a) NAME OF CONCERN	(b) ADDRESS *(Street, City, State)*	(c) NAME OF PARENT COMPANY *(If any)*

(d) NAME OF ANY SUBSIDIARIES OR AFFILIATED COMPANIES COVERED IN THIS REPORT.

II A - "INVENTORY LIMIT" - BEGINNING OF 2ND QUARTERLY PERIOD 1943—USE METHOD OF CALCULATION SHOWN BELOW

Fill in the schedule below in accordance with the instructions on each line.

LINE NO.	ITEM	DOLLARS
1	NET SALES—4TH QUARTERLY PERIOD 1942 (FROM FORM PD-689, COLUMN (d), LINE 20) *NOTE:* IF YOU DID NOT SUPPLY FIGURES FOR COLUMN (d), USE COLUMN (c).	
2	NET SALES—4TH QUARTERLY PERIOD 1941 (FROM FORM PD-689, COLUMN (d), LINE 12) *NOTE:* IF YOU DID NOT SUPPLY FIGURES FOR COLUMN (d), USE COLUMN (c).	
3	SALES RATIO - FOR THE SECOND QUARTERLY PERIOD OF 1943 (LINE 1 DIVIDED BY LINE 2) *NOTE:* REPORT IN THREE DECIMAL PLACES.	
4	NET SALES - 2ND QUARTERLY PERIOD 1942 (FROM FORM PD-689, COLUMN (d), LINE 18) *NOTE:* IF YOU DID NOT SUPPLY FIGURES FOR COLUMN (d), USE COLUMN (c).	
5	"PROJECTED SALES" - 2ND QUARTERLY PERIOD 1943 (LINE 3 TIMES LINE 4).	
6	BASE PERIOD INVENTORY RATIO - 2ND QUARTERLY PERIOD (FROM FORM PD-689, COLUMN (e), LINE 14) *NOTE:* REPORT IN THREE DECIMAL PLACES.	
7	"NORMAL INVENTORY" - BEGINNING OF 2ND QUARTERLY PERIOD 1943 (LINE 5 TIMES LINE 6)	
8	TOLERANCE (15%, 13%, 10%, OR 8% OF LINE 7 - SEE NOTE, *IMMEDIATELY BELOW*) *NOTE:* (a) MERCHANTS WHOSE INVENTORIES ARE LOCATED IN THE MOUNTAIN AND PACIFIC TIME ZONES, USE *15% TOLERANCE* IF INVENTORIES ARE FIGURED AT COST, *OR 13% TOLERANCE* IF INVENTORIES ARE FIGURED AT RETAIL VALUE. (b) MERCHANTS WHOSE INVENTORIES ARE LOCATED IN THE EASTERN AND CENTRAL TIME ZONES, USE *10% TOLERANCE* IF INVENTORIES ARE FIGURED AT COST, *OR 8% TOLERANCE* IF INVENTORIES ARE FIGURED AT RETAIL VALUE.	
9	"INVENTORY LIMIT" - (LINE 7 *PLUS* LINE 8)	
10	INVENTORY (PHYSICAL, BOOK, OR CALCULATED) - BEGINNING OF 2ND QUARTERLY PERIOD *NOTE:* IF YOU DO NOT MAINTAIN BOOK INVENTORY RECORDS OR MAKE A QUARTERLY PHYSICAL INVENTORY COUNT, USE SCHEDULE A, REVERSE SIDE, TO ASSIST YOU IN CALCULATING YOUR INVENTORY.	

IMPORTANT NOTE:
(a) If the amount on Line 10 is *less than* the amount on Line 9, you *need not* file a report with the War Production Board.
(b) If the amount on Line 10 is *greater than* the amount on Line 9, you *must* complete Lines 11-20, and send to the War Production Board, one copy of Form PD-689, and one copy of Form PD-690.

II B - CALCULATION OF ALLOWABLE MERCHANDISE RECEIPTS DURING SECOND QUARTERLY PERIOD 1943.

IF YOU COMPUTE INVENTORIES AT RETAIL, OMIT LINE 14 SECTION II B, WHILE IF YOU COMPUTE INVENTORIES AT COST, OMIT LINES 12 AND 13, SECTION II B. *(Check which)* ☐ COST ☐ RETAIL

LINE NO.	ITEM	DOLLARS	PERCENT
11	"PROJECTED SALES" - 2ND QUARTERLY PERIOD 1943 (LINE 5, *ABOVE*)		XXXX
12	MARKDOWNS, PERCENT OF SALES - 2ND QUARTERLY 1942 (YOUR OWN RECORDS) *NOTE:* *FOR STORES USING "RETAIL METHOD."* YOU MAY *NOT* USE A PERCENTAGE OF SALES GREATER THAN YOUR EXPERIENCE DURING THE 2ND QUARTERLY PERIOD OF 1942, ALTHOUGH YOU *MAY* USE A SMALLER PERCENTAGE.	XXXXXXX	
13	"ANTICIPATED MARKDOWNS" - AT RETAIL - 2ND QUARTERLY PERIOD 1943 (LINE 11 TIMES LINE 12)		
14	"PROJECTED COST OF GOODS SOLD" - 2ND QUARTERLY PERIOD 1943 *NOTE:* (a) IF YOU USE SCHEDULE A TO CALCULATE INVENTORY ON LINE 10, MULTIPLY LINE 11 BY LINE 5a (3), SCHEDULE A, *BELOW*. (b) IF YOU DID NOT USE SCHEDULE A AND COMPUTE INVENTORIES ON A COST BASIS, COMPUTE YOUR PROJECTED COST OF GOODS SOLD ON SCHEDULE B, *BELOW*. (c) IF YOU USE THE "RETAIL METHOD", *OMIT* LINE 14.		
15	"NORMAL INVENTORY" - BEGINNING 3RD QUARTERLY PERIOD 1943 (CALCULATE ACCORDING TO INSTRUCTIONS ON SCHEDULE C *BELOW*)		
16	TOTAL (a) IF YOU USE INVENTORY FIGURES AT RETAIL, ADD LINES 11, 13, AND 15. (b) IF YOU USE INVENTORY FIGURES AT COST VALUE, ADD LINES 14 AND 15.		
17	INVENTORY (PHYSICAL, BOOK, OR CALCULATED) - BEGINNING OF 2ND QUARTERLY PERIOD 1943 (LINE 10 ABOVE)		
18A	ALLOWABLE MERCHANDISE RECEIPTS - DURING 2ND QUARTERLY PERIOD, 1943 (LINE 16 MINUS LINE 17)		

FORM PD-690 (12-30-42)

II B - CALCULATION OF ALLOWABLE MERCHANDISE RECEIPTS DURING SECOND QUARTERLY PERIOD, 1943—Continued

LINE NO.	ITEM	DOLLARS	PERCENT
18B	NET SALES OR COST OF GOODS SOLD - FIRST QUARTERLY PERIOD 1943 (YOUR OWN RECORDS) *NOTE:* NET SALES - IF LINE 18 A AT RETAIL; COST OF GOODS SOLD - IF LINE 18 A AT COST		
18C	1/3 OF LINE 18 B		
18D	ALTERNATE-ALLOWABLE MERCHANDISE RECEIPTS - DURING 2ND QUARTERLY PERIOD 1943 (LINE 18 C - IF LINE 18 C IS LARGER THAN LINE 18 A)		
19	DOLLAR CREDIT FOR "FROZEN CONSUMERS' GOODS" (SEE DEFINITION 3(f) AND INSTRUCTION 13 - "INSTRUCTIONS AND DEFINITIONS")		
20	OUTSTANDING COMMITMENTS, TOTAL (a) AT COST VALUE, IF YOU COMPUTED LINE 18 A ON A COST BASIS. (b) AT RETAIL VALUE, IF YOU COMPUTED LINE 18 A AT RETAIL VALUE.		
	DELIVERY DATES NOT SPECIFIED		
	DELIVERY SPECIFIED BEFORE APRIL 1, 1943		
	DELIVERY SPECIFIED DURING APRIL 1943		
	DELIVERY SPECIFIED DURING MAY 1943		
	DELIVERY SPECIFIED DURING JUNE 1943		
	DELIVERY SPECIFIED DURING JULY 1943		
	DELIVERY SPECIFIED AFTER JULY 31, 1943		XXXX

IMPORTANT NOTE:
(1) You must *restrict* your receipts in the first month of the second quarterly period of 1943: (a) to *not more than* one-third of the amount of your quarterly Allowable Merchandise Receipts (Line 18 A or 18 D *above*); and (b) to two-thirds of your quarterly allowable receipts in the first two months of the quarterly period.
(2) You must report to the War Production Board on Form PD-718 *monthly*, not later than the twenty-fifth of each month following the month you file this form (PD-690).
(3) You must continue to file Form PD-690 quarterly until such time as your report on Form PD-690 shows your Inventory at the beginning of a quarterly period is *less than* your "Inventory Limit" on the same date.

ITEM	DOLLARS	PERCENT
SCHEDULE A - (TO BE USED IN CALCULATING INVENTORY FOR LINE 10, SECTION II A) 1a. INVENTORY AT COST VALUE - BEGINNING OF 1ST QUARTERLY PERIOD 1943 (FROM YOUR OWN RECORDS)		
2a. NET MERCHANDISE RECEIPTS DURING 1ST QUARTERLY PERIOD 1943. (SEE DEFINITION 7)		
3a. TOTAL - LINES 1a AND 2a.		
4a. NET SALES, 1ST QUARTERLY PERIOD 1943 (FROM YOUR OWN RECORDS)		
5a. COST OF GOODS SOLD, 1ST QUARTERLY PERIOD 1943 (COMPUTE AS DESCRIBED BELOW).		
(1) ENTER COST OF GOODS SOLD, 1942, FROM YOUR 1942 INCOME TAX RETURN.		
(2) ENTER GROSS SALES OR GROSS RECEIPTS, 1942, FROM YOUR 1942 INCOME TAX RETURN		XXXX
(3) COST OF GOODS SOLD - PERCENT [LINE 5a(1) DIVIDED BY LINE 5a(2)]	XXXXXXXX	
(4) COST OF GOODS SOLD, 1ST QUARTERLY PERIOD 1943 [LINE 4a TIMES LINE 5a(3)] *NOTE:* ENTER ON LINE 5a *ABOVE*.		
6a. INVENTORY AT COST VALUE, BEGINNING OF 2ND QUARTERLY PERIOD 1943 (LINE 3a MINUS LINE 5a) TRANSFER LINE 6a TO LINE 10, SECTION II A ABOVE.		
SCHEDULE B - (TO BE USED IN CALCULATING "PROJECTED COST OF GOODS SOLD" FOR LINE 14, SECTION II B) 1b. COST OF GOODS SOLD, 2ND QUARTERLY PERIOD 1942 (FROM YOUR OWN RECORDS)		
2b. NET SALES 2ND QUARTERLY PERIOD 1942 (FROM YOUR OWN RECORDS)		XXXX
3b. COST OF GOODS SOLD - PERCENT OF SALES (LINE 1b DIVIDED BY LINE 2b)	XXXXXXXX	
4b. "PROJECTED SALES", 2ND QUARTERLY PERIOD 1943 (LINE 5 *ABOVE*, SECTION II A)		
5b. "PROJECTED COST OF GOODS SOLD", 2ND QUARTERLY PERIOD 1943 (LINE 3b TIMES LINE 4b) TRANSFER LINE 5b TO LINE 14, SECTION II B *ABOVE*		
SCHEDULE C (TO BE USED IN CALCULATING "NORMAL INVENTORY", BEGINNING 3RD QUARTERLY PERIOD 1943 - LINE 15, SECTION II B) 1c. NET SALES 1ST QUARTERLY PERIOD 1943 (OWN RECORDS)		
2c. NET SALES, 1ST QUARTERLY PERIOD 1942 (FROM FORM PD-689, COLUMN (d) LINE 17) *NOTE:* IF YOU DID NOT SUPPLY FIGURES FOR COLUMN (d), USE COLUMN (c).		
3c. SALES RATIO FOR THIRD QUARTERLY PERIOD OF 1943 (LINE 1c DIVIDED BY LINE 2c) *NOTE:* REPORT IN THREE DECIMAL PLACES.		
4c. NET SALES, 3RD QUARTERLY PERIOD 1942 (FROM FORM PD-689, COLUMN (d) LINE 29) *NOTE:* IF YOU DID NOT SUPPLY FIGURES FOR COLUMN (d), USE COLUMN (c).		
5c. "PROJECTED SALES", 3RD QUARTERLY PERIOD 1943 (LINE 3c TIMES LINE 4c)		
6c. BASE PERIOD INVENTORY RATIO, 3RD QUARTERLY PERIOD (FROM FORM PD-689, COLUMN (e) LINE 15) *NOTE:* REPORT IN THREE DECIMAL PLACES.		
7c. "NORMAL INVENTORY" - BEGINNING 3RD QUARTERLY PERIOD 1943 (LINE 5c TIMES LINE 6c) TRANSFER LINE 7c TO LINE 15, SECTION II B, *ABOVE*.		XXXX

CERTIFICATION

THE UNDERSIGNED CERTIFIES THAT THE INFORMATION CONTAINED IN THIS REPORT IS CORRECT AND COMPLETE TO THE BEST OF HIS KNOWLEDGE AND BELIEF.

NAME OF COMPANY ____________ SIGNATURE OF AUTHORIZED OFFICIAL ____________

DATE ____________ TITLE ____________

SECTION 35(A) OF THE UNITED STATES CRIMINAL CODE, 18 U.S.C. SEC. 80, MAKES IT A CRIMINAL OFFENSE TO MAKE A WILLFULLY FALSE STATEMENT OR REPRESENTATION TO ANY DEPARTMENT OR AGENCY OF THE UNITED STATES AS TO ANY MATTER WITHIN ITS JURISDICTION.

FORM PD-713
(12-30-42)

UNITED STATES OF AMERICA WAR PRODUCTION BOARD	BUREAU OF THE BUDGET NO. 12-R456-42 APPROVAL EXPIRES JULY 7, 1943
	DATE 194
MERCHANTS' MONTHLY REPORT OF INVENTORIES AND SALES	QUARTERLY REPORT
	FROM 194 — TO 194
	CODE - DO NOT USE
	#
	F
TO: War Production Board, Washington, D. C. ATTN: *Ref: L-219*	K OF B
	SIZE
See reverse side for definitions.	AREA

INSTRUCTIONS - If at the beginning of any quarterly period your actual inventory exceeds your "inventory limit", you *must* file Form PD-713 not later than the 25th of the second and third *months* of the quarterly period. You will also continue to file Form PD-690 quarterly with the War Production Board, until such time as your report on Form PD-690 shows that your inventory is less than your "inventory limit".

If you do not use a quarterly period of three calendar months you shall, for the purpose of completing this form, divide your quarterly period into two four-week "months" and one five-week "month".

Fill in two copies of this form, PD-713, (use typewriter or ink) and mail the original to the War Production Board, Washington, D.C., Ref. L-219, *not later than* the 25th of the month following the month to which this report applies. Retain a copy for your files.

I - NAME AND ADDRESS OF REPORTING FIRM (YOUR NAME AND ADDRESS MUST CORRESPOND EXACTLY WITH YOUR NAME AND ADDRESS ON FORM PD-690)

(a) NAME OF CONCERN	(b) ADDRESS *(Street, City, State)*	(c) NAME OF PARENT COMPANY *(If any)*

(d) NAME OF ANY SUBSIDIARIES OR AFFILIATED COMPANIES COVERED IN THIS REPORT

NOTE: "ALLOWABLE MERCHANDISE RECEIPTS" ARE AT "COST" IF YOU COMPUTE INVENTORIES AT "COST VALUE" OR AT "COST" AND ARE "AT RETAIL" IF YOU COMPUTE INVENTORIES AT RETAIL VALUE.

ITEM	DOLLARS
II - ALLOWABLE MERCHANDISE RECEIPTS FOR THE QUARTERLY PERIOD (FROM LINE 18A OR LINE 18D, SECTION IIB, OF YOUR LATEST COPY OF FORM PD-690)	
APPROXIMATE ALLOCATION OF ALLOWABLE MERCHANDISE RECEIPTS — BY MONTHS 1a. FIRST MONTH	
1b. SECOND MONTH	
1c. THIRD MONTH	
MERCANTILE INVENTORIES *(Check one)* ☐ AT COST VALUE ☐ AT RETAIL VALUE	

ITEM	DOLLARS
III - FILL IN PROPER MONTH *FIRST* MONTH OF QUARTERLY PERIOD (TO BE FILED NOT LATER THAN THE 25TH DAY OF THE SECOND MONTH) A. ACTUAL MERCHANDISE RECEIPTS FOR THIS MONTH (FROM YOUR RECORDS)	
B. ALLOWABLE MERCHANDISE RECEIPTS (LINE 1a, SECTION II, ABOVE)	
EXCESS OF ACTUAL OVER ALLOWABLE (LINES A MINUS LINE B)	
SECOND MONTH OF QUARTERLY PERIOD (TO BE FILED NOT LATER THAN THE 25TH DAY OF THE THIRD MONTH) C. ACTUAL MERCHANDISE RECEIPTS FOR FIRST AND SECOND MONTHS OF QUARTERLY PERIOD (FROM YOUR RECORDS)	
D. ALLOWABLE MERCHANDISE RECEIPTS FOR FIRST AND SECOND MONTHS OF QUARTERLY PERIOD (LINE 1a PLUS LINE 1b, SECTION II, ABOVE)	
EXCESS OF ACTUAL OVER ALLOWABLE (LINE C MINUS LINE D)	

FORM PD-713 (12-30-42)

CERTIFICATION

THE UNDERSIGNED CERTIFIES THAT THE INFORMATION CONTAINED IN THIS REPORT IS CORRECT AND COMPLETE TO THE BEST OF HIS KNOWLEDGE AND BELIEF.

NAME OF COMPANY	SIGNATURE OF AUTHORIZED OFFICIAL
DATE	TITLE

SECTION 35(A) OF THE UNITED STATES CRIMINAL CODE, 18 U.S.C. SEC. 80, MAKES IT A CRIMINAL OFFENSE TO MAKE A WILLFULLY FALSE STATEMENT OR REPRESENTATION TO ANY DEPARTMENT OR AGENCY OF THE UNITED STATES AS TO ANY MATTER WITHIN ITS JURISDICTION.

DEFINITIONS

1. ACTUAL MERCHANDISE RECEIPTS

   a. Actual merchandise receipts are the cost value (retail value if you compute inventories at retail value) acquired by purchase, consignment, memorandum, or otherwise, in such a way and to such an extent that they become part of the merchant's mercantile inventory.

   b. Cost value of goods shipped direct to the merchant's customers are to be included in merchandise receipts.

   c. Merchandise held by a vendor for the account of a merchant is to be included in the merchant's receipts for the period in which the merchant becomes the owner.

   d. Goods in transit may be included in or excluded from inventory, provided that they are consistently treated by the merchant in accordance with his prior accounting or income tax return practice. Goods cease to be considered in transit not later than the day after they are delivered to a merchant on his premises, to his warehouse, or to a commercial warehouse for his account.

2. ALLOWABLE MERCHANDISE RECEIPTS

   Allowable merchandise receipts are computed according to the directions given in Section IIB, Form PD-690.

FORM PD-691
(12-30-42)

UNITED STATES OF AMERICA
WAR PRODUCTION BOARD

BUREAU OF THE BUDGET NO. 13-R7036-43
APPROVAL EXPIRES JULY 30, 1943

DATE ______ 194_

NAME OF CONCERN

ADDRESS (Street, City, State)

WORK SHEET FOR COMPUTING INVENTORIES OF "CONSUMERS' GOODS"

INSTRUCTIONS — This form is provided for the convenience of merchants who do not have available the information needed properly to fill in Form PD-689. You are not required to have taken a physical inventory at the beginning of each quarterly period; your inventory records for Federal income tax returns may be used as a basis for estimating your inventories at the beginning of intervening quarterly periods. If you use this work sheet for the purpose of arriving at the inventories reported by you on Form PD-689, it should be attached to your file copy of Form PD-689 and carefully preserved.

INVENTORY YEAR	QUARTERLY PERIODS (enter beginning and ending month) QUARTER	FROM	TO	LINE NO.	BEGINNING INVENTORIES OF "CONSUMERS' GOODS" AT COST VALUE (Dollars) (a)	RECEIPTS OF "CONSUMERS' GOODS" AT COST (Dollars) (b)	TOTAL OF COLUMNS (a) AND (b) (Dollars) (c)	NET SALES OF "CONSUMERS' GOODS" (Dollars) (d)	PERCENT GROSS MARGIN (Dollars) (e)	COST OF GOODS SOLD OF "CONSUMERS' GOODS" (Dollars) (f)	ENDING INVENTORIES OF "CONSUMERS' GOODS" AT COST VALUE (Dollars) (g)
1939	1ST			1							
	2ND			2							
	3RD			3							
	4TH			4							
1940	1ST			5							
	2ND			6							
	3RD			7							
	4TH			8							
1941	1ST			9							
	2ND			10							
	3RD			11							
	4TH			12							
1942	1ST			13							
	2ND			14							
	3RD			15							
	4TH			16							

Additional Instructions for Filling in the Above Schedule

(1) Before filling in this form be sure to read all instructions and definitions on and for the use of Forms PD-689 and PD-690. If able to segregate data on "consumers' goods" from total goods transfer your inventory and sales of "all goods" to columns (a) and (c), Form PD-689, your inventory of "consumers' goods" to column (b), and your sales of "consumers' goods" to column (d), Form PD-689. If you find it impracticable (see Definition (9)) to segregate your inventories and sales of "consumers' goods," enter *above* your inventories and sales of "all goods". Change the column headings to agree, and transfer the inventory figures to column (a), Form PD-689 and the sales figures to column (c), Form PD-689.

(2) Enter on line 1, column (a) the cost value of your inventory at the beginning date of the first quarterly period of 1939. (This must be either for December 1, 1938, January 1, 1939, or February 1, 1939, to coincide with the beginning date of your "inventory year"). The amount entered here should represent a physical inventory, if available. If no physical inventory was taken as of the beginning of your "inventory year", it will be necessary to estimate the inventory by taking the physical inventory nearest the beginning date of your inventory year and adjusting this for interim transactions. EXAMPLE: Assume that a physical inventory taken on December 31, 1938 amounted to $60,000 at "cost value" and the "inventory year" began on February 1, 1939. Assume receipts of merchandise at cost during the month of January 1939 of $40,000 and cost of goods sold during the same month of $45,000; the estimated inventory as of February 1, 1939 would be $55,000 ($60,000 plus $40,000 minus $45,000). Note: If you were not in business on December 1, 1938 or during any portion of the period from December 1 1938 to February 1, 1942, fill in whatever portion of this form you can complete.

(3) Enter in column (b) your net receipts at cost during each quarterly period starting with the beginning of your base period to the end of the fourth quarterly period in 1942. This information must be taken from books, records, or reports, if obtainable in this manner. If your books, records, and reports do not reflect this information, enter your best estimate of the receipts for each quarterly period; but, be sure that the sum of the receipts for the four quarterly periods of each year is equal to your total receipts during that year, as shown in your Federal income tax returns.

(4) Enter in column (c) the total of the amounts on line 1 in columns (a) and (b).

(5) Enter in column (d) your net sales during each quarterly period from the beginning of the base period to the end of the fourth quarterly period in 1942.

(6) Enter in column (e) the per cent of gross margin applicable to each quarterly period from the beginning of your base period to the fourth quarterly period of 1942. The gross margin is to be the actual per cent of gross margin as reflected by your books or as taken from your income tax statement for the business year in which the quarterly period falls. EXAMPLE: Assume a merchant's gross margin during the year 1939 was 25 per cent. This percentage is to be used for the 1939 inventory year, and for all other years during which the gross margin was 25 per cent. If the gross margin in 1940, in 1941, or 1942 differed from that in 1939, enter such gross margin percentage on the proper lines in column (e).

(7) Enter in column (f) the cost of goods sold for each quarterly period, obtained by multiplying the amount in column (d) by the complement (100 minus per cent Gross Margin) of the per cent shown in column (e). EXAMPLE: Assume, net sales of $70,000 and a gross margin of 25%. The cost of sales is $70,000 times 75 per cent, or, $52,500.

(8) Subtract line 1 column (f) from line 1 column (c) and enter the difference on line 1, column (g). Transfer the ending inventory at cost in column (g), line 1, to column (a), line 2. Repeat this process for each succeeding line until all beginning inventories have been entered in column (a).

Note: If a physical inventory was taken at the beginning of any quarterly period subsequent to the start of the base period, the amount of this physical inventory should be substituted for the computed amount and the cost of goods sold for the previous quarterly period adjusted.

WAR PRODUCTION BOARD

Washington, D. C.

INSTRUCTIONS AND DEFINITIONS—FOR THE USE OF FORMS PD-689 AND PD-690

Instructions

1 *Method of Calculating Base Period Inventory Ratios:*

a. *"Base Period"* is the three-year period ordinarily beginning December 1, 1938, January 1, 1939, or February 1, 1939, whichever corresponds with the start of your "inventory year".

(1) *If you were not in business* on December 1, 1938 or during any portion of the base period, list as many *complete consecutive quarterly periods* as you can between December 1, 1938, and February 1, 1942.

(2) If you were not in business during four consecutive quarterly periods of the base period years, take as many quarterly periods from your 1942 inventory year as you need to complete a single year.

(3) If you have been in business less than four consecutive quarterly periods, including 1942, apply to the Director General for Operations, Washington, D. C., for instructions stating your monthly sales and inventories.

(4) If you acquired your business after the beginning of the base period, fill in the beginning inventories and net sales of the predecessor business for the period prior to your ownership—*if such records are available.* If the records are not available, follow the instructions given in (a) (1) (2) and (a) (3) above.

(5) If you do not have available books, records, or reports from which you can get the information needed properly to complete this form, use Form PD-691 to aid you in calculating your beginning inventories.

Fill in whatever portion of the schedule in Section V., Form PD-689 you can complete by following instructions in Sections 1 (b) to 1 (g) immediately below.

b. *"Beginning Total Dollar Inventories at Cost Value."* Enter in columns (a) and (b), lines 1 to 12, and lines 17, 18, 19, 20, and 21, the inventory at cost value of all goods and of "consumers' goods" at the beginning of each quarterly period. Enter on line 13, the sum of lines 1, 5, and 9. Enter on line 14, the sum of lines 2, 6, and 10. Enter on line 15, the sum of lines 3, 7, and 11. Enter on line 16, the sum of lines 4, 8, and 12.

c. *"Cost Value" of Inventory.* (See Definition 4.)

d. *"Inventory."* (See Definition 3.)

e. *"Dollar Value of Total Net Sales."* Enter in columns (c) and (d), lines 1 to 12, and lines 17, 18, 19, 20, and 21, total net sales of all goods and of "consumers' goods" during each quarterly period. Enter on line 13, the sum of lines 1, 5, and 9. Enter on line 14, the sum of lines 2, 6, and 10. Enter on line 15, the sum of lines 3, 7, and 11. Enter on line 16, the sum of lines 4, 8, and 12.

f. *"Total Net Sales."* (See Definition 5.)

g. *"Inventory Ratio."* Enter in column (e), lines 13 to 16, the inventory ratio for each quarterly period of the "base period."

Examples. If your entry is $150,000 on line 13, column (b), and $110,000 on line 13, column (d), your inventory ratio is $\frac{\$150,000}{110,000}$ or 1.364; if your entry is $100,000 on line 13, column (b), and $140,000 on line 13, column (d), your inventory ratio is $\frac{\$100,000}{140,000}$ or .714.

2. *Consolidated Reports.* Every Controlled Merchant is to complete one consolidated analysis for its total operations. Example: If you operate a chain of stores, if you have stock-carrying branches of any kind, or if you operate a chain

of leased departments or concessions, you are to complete one consolidated analysis for your entire company. If you have subsidiary companies, you are to complete one consolidated analysis for the operations of the entire business enterprise.

3. *Consistency in Accounting.* The method of accounting to be used in arriving at inventory at cost value, net sales, or net merchandise receipts, is not prescribed.

You are not required to follow any particular method of accounting in arriving at the amount of your net sales, inventories, or net merchandise receipts, so long as the method followed by you is in accordance with your books of account or income tax returns and conforms to generally accepted accounting practices and which is adhered to by you since the beginning of your base period. If since that date there has been a material change in the accounting practice affecting the computation of inventory, net sales, or net merchandise receipts, adjustments must be made in accordance with instructions from the Director General for Operations, War Production Board.

4. *Inventory Year.*

(a) Each inventory year shall ordinarily consist of four quarterly periods of three calendar months each.

(b) If your accounting year for federal income tax purposes began on December 1, January 1, or February 1, the starting date of your tax year must be used as the beginning date of your inventory year. If your accounting year for federal income tax purposes begins on a date other than December 1, January 1, or February 1, you must use whichever one of the three alternative dates (Dec. 1, Jan. 1, or Feb. 1) began a quarter of your tax year.

(c) If you use a thirteen-month calendar or divide your fiscal year into four thirteen-week quarterly periods, you may adopt an inventory year of four thirteen-week quarterly periods, each period divided into one five-week and two four-week "months."

5. *Optional Use of the "Retail Method."*

If you employ the "retail method" of pricing inventories during the base period you may elect to value your mercantile inventory and to compute your "allowable receipts" at retail value rather than at cost or at cost value, on the following conditions:

(a) Your tolerance will be two percent lower than it otherwise would be if you used values at cost. For example, if you are in the central time zone, you are entitled to a 10% tolerance at the beginning of the second quarterly period if you use the cost method and an 8% tolerance if you use the retail method. And, at the beginning of the third quarterly period and thereafter, your tolerance will be 5% on the cost basis and 3% under the "retail method."

(b) Your percentage of markdowns used in calculating your allowable receipts shall not exceed the markdown percentage in the corresponding quarterly period of the preceding inventory year.

6. *Interrelation with Suppliers' Inventory Limitation Order L-63.*

(a) If you carry "supplies" as defined in Order L-63, which are consumers' goods and *do fifty per cent or less* of your business in such "supplies," include your inventory of "supplies" in your total inventory, your sales of "supplies" in total net sales, and your "receipts" of "supplies" in your net merchandise receipts.

(b) If you do more than fifty per cent of your business in "supplies" as defined in L-63 and actually keep records of such supplies on Form PD-336, you are exempted from the provisions of this order. Nothing in Order L-219, however, shall be construed to relieve any person of the duty of complying with Order L-63.

7. *Company Stores.* If as an incident to its principal business, any person operates one or more company stores, commissaries, industrial stores, or other similar enterprises marketing "Consumers' goods" chiefly to the employees of such person and their families, determine whether the incidental enterprise is a Controlled Merchant when separately considered. If such incidental enterprise is a Controlled Merchant, separate records of inventories and sales of "consumers' goods" should be kept for such company stores on Forms PD-689 and PD-690.

8. *Leased Department or Concession Operators.* An operator of a leased department or concession will determine whether he is a Controlled Merchant when his business is considered separately. The inventories and sales are to be excluded from the inventories and sales of the lessor Merchant.

9. *Stocks Held for Sale on Consignment or on Memorandum.*

(a) Goods held for sale on consignment or on memorandum are to be *included in the inventory* of the merchant actually holding them for sale. Such goods are to be excluded from the inventory of the owner.

(b) Stocks on consignment or on memorandum to a person not holding them for sale are to be included in the inventory of the owner.

(c) Goods on consignment or on memorandum are to be valued at *not less than* the amount which the business unit holding them for sale would remit if all such goods were sold. Incoming transportation costs and workroom charges should also be included in the value of goods on consignment or on memorandum if such costs and charges are included in the value of comparable purchased goods in the business units' inventory.

10. *Merchant also Engaged in Manufacturing.*

(a) *Inventories.* Exclude factory inventories from your report of mercantile inventories.

(b) *Sales.* Do not include sales made as a manufacturer out of factory inventory. (See Definition 3 (b))

(c) *Receipts.* Transfer of consumers' goods from factory inventory to mercantile inventory, when made from one or more establishments under common ownership or control, constitutes a receipt of such goods, into the mercantile inventory of the merchant.

11. *Goods Sold for Consumption on Merchant's Premises.* Do not include the sales, inventories, or receipts of such goods in the computations, records, reports and other matters pursuant to this order.

12. *Officer's Uniforms.* Except for the statement of net sales and mercantile inventories in Section II (a) and (b) of Form PD-689 you may exclude current receipts, sales, and inventories of officers' uniforms from your current data if you are authorized to accept delivery of uniforms produced under § 1243.1, Preference Rating Order P-131; provided you are consistent in your accounting treatment of such receipts, sales, and inventories.

13. *Frozen Goods Credit.* Except for the statement of net sales and mercantile inventories in Section II (a) and (b) of Form PD-689 you may deduct from the cost value of your mercantile inventory at the beginning of any quarterly period after the first quarterly period of 1943:

(a) The cost value of the inventory of any kind of "frozen goods" (Definition (3) (f) at the beginning of the current quarterly period (provided such goods have been in inventory at least four months); minus,

(b) the total cost value of "frozen goods" of that kind sold by you during the immediately preceding quarterly period.

14. *Communications to the War Production Board.* All communications concerning Order L-219 shall, unless otherwise directed, be sent to the War Production Board, Washington, D. C. Ref: L-219

Definitions

1. a. "Merchant" means any person engaged in retailing, wholesaling, jobbing, or otherwise marketing consumers' goods, either of his own or another's manufacture, who maintains a mercantile inventory.

b. "Controlled Merchant" means a merchant other than an "exempted merchant" who had net sales of consumers' goods of $200,000 or more during the year specified in Section II, Form PD-689, and who had a mercantile inventory of consumers' goods having a cost value of $50,000 or more at the end of that year.

c. "Exempted Merchant" is a merchant exempted from the provisions of Order L-219: (a) if more than 50 per cent of his net sales during the year specified in Section II, Form PD-689, were of goods listed on list A; or, (b) if his business is done entirely outside the limits of continental United States; or, (c) if the business is conducted by a Governmental Corporation or Agency; or, (d) if his net sales of consumers' goods during the year specified in Section II, Form PD-689 were less than $200,000 or his mercantile inventory of consumers' goods was less than $50,000 at the end of the specified year.

2. "Consumers' goods" means goods suitable in form and type for sale to individual ultimate consumers for personal or household use, including but not limited to goods on List B, attached to Order L-219. Consumers' goods shall not include any food or beverage for human or animal consumption, or any fuel oil, gasoline, motor oil, grease, or allied petroleum products. (See List B for examples of typical consumers' goods).

List B

Items on List B are typical consumers' goods

Women's, Misses' Wearing Apparel
Women's, Misses' Accessories
Baby Goods
Men's and Boys' Clothing
Mens' and Boys' Furnishings
Work Clothing
Footwear
Hosiery, Underwear, Negligees, and Robes
Gloves, Handbags, and Millinery
Aprons, House Dresses, and Uniforms
Furs
Corsets and Brassieres
Lace, Trimmings, and Ribbons
Notions
Toilet Articles and Toiletries (Cosmetics, Shaving Soaps, and Equipment)
Clocks and Watches
Jewelry and Silverware
Umbrellas
Art Needlework and Yarns for Home Use
Paper and Paper Products, Stationery, Books
Giftwares
Piece Foods (Silks, Velvets, Rayons, Synthetics, Woolens, Cottons, Linens, Mixtures, Wash Goods, and Linings).
Drugs and Drug Sundries
Toys and Games
Luggage and Other Leather Goods
Sporting Goods and Cameras
Garden Supplies and Seeds for Garden Use
Motor Vehicles, Replacement Parts, and Accessories
Tires
Typewriters
Linens, including towels
Domestics (Muslins, Sheeting, etc.)
Blankets, Comforters and Spreads
Furniture, Bedding, and Domestic Floor Coverings
Draperies, Curtains, and Upholstery
Lanterns, Lamps, and Shades
Chinaware and Glassware
Major Household Appliances, including Mechanical Refrigerators, Washing Machines and Cooking Appliances
Small Electrical Appliances, Light Bulbs, Fixtures and Dry Cells
Radio, Phonographs, Records, and Supplies
Hardware and Tools for Home Use.
Kitchenware, Cutlery, and Miscellaneous Housewares
Musical Instruments, Pianos, and Sheet Music
Window Shades, Blinds, and Wallpaper
Brushes, Brooms, and Mops
Soap and Household Cleaning and Sanitation Materials
Paints, Varnishes, Waxes, and Polishes
Christmas Ornaments and Supplies
Wheeled Goods
School Supplies
Antiques
Coal
Flowers and Plants
Smoking Equipment
Second Hand Consumers' Goods

3. a. "Mercantile Inventory" means the stock of consumers' goods held for sale by a person engaged in marketing such goods, including goods he has purchased for resale, goods he has manufactured for sale, stocks consigned to him for sale, and stocks held by him on memorandum for sale.

b. "Factory Inventory" means an inventory of consumers' goods maintained by the manufacturer of such goods at, or in the immediate vicinity of, the place where their manufacture was completed.

c. "Goods in Transit" may be included in or excluded from inventory, provided that they are consistently treated by the merchant in accordance with his prior accounting or income tax return practice. Goods cease to be considered in transit not later than the day after they are delivered to a merchant on his premises, to his warehouse, or to a commercial warehouse for his account.

d. "Seasonal Goods and Goods Held for Speculative Purposes" are considered held for sale even though they are not currently offered for sale, but are stored in a warehouse or elsewhere, with a view to sale at some future time.

e. "Lay-Aways" may be included in or excluded from inventory provided they are consistently treated by the merchant in accordance with his prior accounting or income tax practice.

f. "Frozen Goods" means the consumers' goods which are selling at a substantially less rapid rate than normal due to governmental regulations which specifically restrict the sale of those consumers' goods to preferred classes of persons based on special need. Examples: typewriters and automobile tires.

4. a. "Cost Value" or "Cost" of goods received, sold, or in inventory means the value of such goods computed by any single method of valuation which meets the requirements of generally accepted accounting practice and which is consistently used by the merchant for valuation of inventory for balance sheet and profit and loss statement purposes.

b. Use of "Retail Method." A merchant who uses the "retail method" may reduce his inventories to "cost" by the method prescribed for federal income tax purposes. Any merchant who elects the "retail method" must consistently value his goods at "retail value" wherever the provisions of L–219 specify the use of "cost value" or "cost."

c. See instruction 9 for the method of valuation to be used for consigned stocks or stocks on memorandum.

5. "Total Net Sales" means the amount of a merchant's gross sales of goods in dollars, including sales of goods shipped direct from a vendor to the merchant's customer, less all returns, allowances, rebates, discounts, and other proper deductions. (See also Instruction 10 (b).) Intra-company sales are not included in sales even though designated on the books of the company as sales.

6. "Cost of Goods Sold" means the cost value of goods removed from mercantile inventory by sale, spoilage, shrinkage reserve, consignment to another person or other proper deduction in accordance with generally accepted accounting practice consistently used by the merchants, *plus* the cost value of goods shipped direct from a vendor to the merchant's customers.

7. a. "Receipts of Consumers' Goods" or "Net Merchandise Receipts" means the cost value of consumers' goods acquired by a merchant by purchase, consignment, memorandum, or otherwise, in such a way and to such an extent that they become part of the merchant's merchantile inventory.

b. Cost value of goods shipped direct to the merchant's customers are to be included in receipts of goods.

c. Merchandise held by a vendor for the account of a merchant is to be included in the merchant's receipts for the period in which the merchant becomes the owner.

d. See definition 3 (c) for method of handling goods in transit.

8. "Outstanding Commitments" means the sum of all commitments made for future delivery of consumers' goods, including, but not limited to (a) contracts or blanket orders to buy consumers' goods and (b) arrangements, formal or informal, by which you have committed yourself to buy consumers' goods and whereby you have sought to bind the prospective vendors to deliver such goods to you.

9. "Impracticable Segregation." It may be considered impracticable to segregate consumers' goods as defined in order L–219 from all other goods when in order to do so it would be necessary to compile data which the merchant does not already have available in his records and which could be obtained for the base period, if at all, only by compiling it from his original records such as sales invoices or sales ledgers, purchase invoices or purchase ledgers, or bin tags or materials ledgers.

IV

CONSUMERS' GOODS IVENTORY LIMITATION ORDER L-219

WAR PRODUCTION BOARD

PART 3118—CONSUMERS' GOODS INVENTORIES

[Consumers' Goods Inventory Limitation Order L-219]

The fulfillment of requirements for the defense of the United States has created a shortage in the supply of consumers' goods for defense, for private account, and for export; and the following order, limiting consumers' goods receipts and providing for inventory reports, is deemed necessary and appropriate in the public interest and to promote the national defense.

§ 3118.1 *Consumers' Goods Inventory Limitation Order L-219*—(a) *Definitions.* For the purposes of this order:

(1) "Consumers' goods" means goods suitable in form and type for sale to individual ultimate consumers for personal or household use, including but not limited to goods on List B, attached to Order L-219. Consumers' goods do not include producers' goods such as farm implements, goods used in rendering personal services such as shoe repairing, or goods sold for consumption on the vendor's premises such as fountain and restaurant fare. Consumers' goods shall not include any food or beverage for human or animal consumption, or any fuel oil, gasoline, motor oil, grease, or allied petroleum products.

(2) "Mercantile inventory" means the stock of consumers' goods held for sale by a person engaged in marketing such goods, including goods he has purchased for resale, goods he has manufactured for sale, stock consigned to him for sale, and stocks held by him on memorandum for sale.

(i) Mercantile inventories shall not include factory inventories. A "factory inventory" is an inventory of consumers' goods which are stored by the manufacturer of such goods at, or in the immediate vicinity of the place where their manufacture was completed, and which are not being offered for sale to individual ultimate consumers.

(ii) Stocks on consignment or on memorandum for sale are to be included in the inventory of the person actually holding them for sale, and in such case are to be excluded from the inventory of the owner. Stocks on consignment or on memorandum to a person not holding them for sale are to be included in the inventory of the owner.

(iii) Goods in transit may be included in or excluded from inventory: *Provided*, That in all computations, records, reports, and other matters pursuant to this order, they are consistently treated by the merchant in accordance with his prior accounting or income tax return practice. Goods shall cease to be considered in transit not later than the day after they are delivered to a merchant on his premises, to his warehouse, or to a commercial warehouse for his account.

(iv) Goods are held for sale and are considered as part of "inventory" even though they are not currently offered for sale, but are stored in a warehouse or elsewhere, with a view to sale at some future time, e. g., seasonal goods during the off season and goods held for speculative purposes. Goods held on the "lay-away" plan pending payment of the purchase price may be included in or excluded from inventory: *Provided*, That in all computations, records, reports, and other matters pursuant to this order, they are consistently treated by the merchant in accordance with his prior accounting or income tax practice.

(3) "Merchant" means any person engaged in retailing, wholesaling, jobbing, or otherwise marketing consumers' goods, either of his own or another's manufacture, who maintains a mercantile inventory.

(4) "Controlled merchant" means any merchant, not in any of the exempt categories established by paragraph (b), who:

(i) On or after November 30, 1942, had a mercantile inventory of consumers' goods having a cost value of $50,000 or more at the end of any quarter of any of his federal income tax years, and also

(ii) During the twelve months preceding the end of the same quarter of his federal income tax year had net sales of consumers' goods of $200,000 or more.

Any merchant who is or becomes a "controlled merchant" within the foregoing definition shall cease to be a "controlled merchant" if at the end of each of any four consecutive quarters thereafter either his mercantile inventory has a cost value of less than $50,000 or he has failed during the preceding twelve months to make net sales of consumers' goods of $200,000 or more.

(5) "Net sales" means the amount of a merchant's gross sales of goods in dollars, including sales of goods shipped direct from a vendor to the merchant's customer, less all returns, allowances, rebates, discounts, and other proper deductions. In the case of a merchant who is also engaged in manufacturing, his net sales shall not include any sales made, as a manufacturer, out of his factory inventory.

(6) "Cost value" or "cost" of goods received, sold, or in inventory means the value in dollars of such goods computed by any single method of valuation which meets the requirements of generally accepted accounting practice or which is consistently used by the merchant for valuation of inventory for balance sheet and profit and loss statement purposes. Goods held for sale on consignment and on memorandum are to be valued at not less than the amount which the person holding them for sale would be obligated to remit to the owner if all of them were sold. Incoming transportation costs and workroom charges shall also be included in the value of goods on consignment or on memorandum if they are included in the cost value of comparable purchased goods in the inventory of the person holding them for sale. Retail merchants who consistently employ what is known as the "retail method" of pricing inventories may reduce their inventories to cost by the method prescribed for federal income tax purposes.

(7) "Inventory year" of a merchant means the recurrent twelve calendar month period beginning either December 1, January 1, or February 1, of each year, whichever corresponds with the beginning date of a quarter of his federal income tax year. An inventory year is designated by the number of the calendar year in which most of its months fall. For example, whichever of the inventory years commencing December 1, 1942, January 1, 1943, and February 1, 1943, is selected by a merchant, is his 1943 inventory year within the meaning of this order. Each inventory year shall consist of four "quarterly periods" of three calendar months each, except that any merchant who keeps his books of account on the basis of an annual fiscal period divided into thirteen periods of four weeks each or divided into four thirteen-week quarters may adopt an inventory year of four thirteen-week "quarterly periods," each divided into one five-week and two four-week "months." Any merchant who keeps his accounts on the basis of either of these types of fiscal year may use a date other than December 1, January 1, or February 1, as the first day of his inventory year: *Provided*, That the date selected is as near as possible to the beginning date of a quarter of his federal income tax years.

(8) "Base period" means a period of three inventory years, commencing with the beginning date of the merchant's 1939 inventory year. Ordinarily, this date will be December 1, 1938, January 1, 1939, or February 1, 1939. Any controlled merchant who lacks records for part or all of the base period so computed shall use as his special base period all the complete consecutive quarterly periods between December 1, 1938, and February 1, 1942, for which he has records. If the number of such quarterly periods is less than four, additional periods shall be taken from his 1942 inventory year sufficient to complete a single year. His treatment of inventory and sales data for such special base period shall conform as strictly as possible to the treatment of inventory and sales data for the base period prescribed in Appendix A attached to Order L-219. If a going business has changed owners since the commencement of the period which, but for such change, would have been its base period, and if the current owner possesses or can obtain the necessary data concerning his predecessor's operations, he shall compute the normal inventory of such business as if he had been its owner throughout. A controlled merchant who is unable to establish a base period, including 1942, of at least four consecutive quarterly periods, shall apply to the Director General for Operations for instructions, stating his monthly sales and inventories.

(9) "Normal inventory" means a mercantile inventory at the beginning of a quarterly period with a cost value no larger in relation to a merchant's projected sales during that quarterly period than he would carry at the beginning of that quarterly period when following his normal base period merchandising practices. In no event shall the normal inventory figure used by a merchant in determining his inventory limit exceed a figure correctly computed from his past inventory and sales experience by the method described and illustrated in Appendix A attached to Order L-219, and employed on Forms PD-689 and PD-690.

(10) "Allowable receipts" during a quarterly period means the cost value of the consumers' goods which a merchant will need during any quarterly period to

complete his anticipated sales during that quarterly period and to begin the next succeeding quarterly period with his normal inventory, less the cost value of the mercantile inventory which he has at the beginning of the quarterly period. Except for merchants who elect under subparagraph (1) to use the "retail method," the allowable receipts calculated by a merchant shall not exceed the larger of the following:

(i) A figure correctly computed from the merchant's previous experience with respect to sales and cost of goods sold by the method described and illustrated in Appendices A and C attached to Order L-219, and employed on Form PD-690, or

(ii) A figure equal to one-third of the cost of goods sold during the preceding quarterly period.

(11) "Cost of goods sold" means the cost value of goods removed from mercantile inventory by sale, spoilage, shrinkage reserve, consignment to another person or other proper deduction in accordance with generally accepted accounting practice consistently used by the merchant, plus the cost value of goods shipped direct from a vendor to the merchant's customers.

(12) "Receipts of consumers' goods" means the cost value of consumers' goods acquired by a merchant by purchase, consignment, memorandum, or otherwise in such a way and to such an extent that they became part of the merchant's mercantile inventory, plus the cost value of consumers' goods shipped direct from a vendor to the merchant s customers. Goods manufactured by a merchant are to be included in his receipts when they are transferred to his mercantile inventory.

(13) "Frozen goods" means those consumers' goods in the mercantile inventory of a controlled merchant which he is selling at a substantially less rapid rate than normal, due to governmental regulations which specifically restrict the sale of those consumers' goods, such as typewriters and automobile tires, to preferred classes of persons based upon special need.

(b) *Exemption of certain types of business.* The provisions of paragraph (d) and paragraph (e) of this order shall not apply to any merchant in any of the following exempt categories.

(1) Any merchant more than fifty per cent of whose aggregate net sales of all kinds of goods during his most recently completed inventory year were sales of goods listed on List A.

(2) Any merchant engaged in retailing, wholesaling, jobbing, or otherwise marketing consumers' goods entirely outside the limits of the United States.

(3) Any governmental corporation or agency, including any United States Army or Marine Corps Post Exchange and any United States Navy Ship's Service Department.

(c) *Calculation of inventory limit.* (1) As used in paragraph (d) and paragraph (e), the "inventory limit" of a controlled merchant at the beginning of any quarterly period of his inventory year shall mean his normal inventory as of the beginning of that quarterly period plus the percentage of such normal inventory to which he is entitled as tolerance, computed by the method described and illustrated in Appendix B attached to Order L-219, and employed on Form PD-690. The percentage of tolerance with respect to mercantile inventories in the Eastern and Central Time Zones shall be 10% at the beginning of the second quarterly period of the 1943 inventory year, and 5% at the beginning of each quarterly period thereafter. The percentage of tolerance with respect to mercantile inventories in the Mountain and Pacific Time Zones shall be 15% at the beginning of the second quarterly period of the 1943 inventory year, and 10% at the beginning of each quarterly period thereafter.

(2) The Director General for Operations may issue specific instructions increasing or decreasing the percentage of tolerance of particular controlled merchants.

(d) *Restrictions on receipts of consumers' goods.* (1) No controlled merchant whose mercantile inventory is greater than his inventory limit at the beginning of any quarterly period, other than the first quarterly period of the 1943 inventory year, shall have receipts of consumers' goods during the quarterly period in excess of his allowable receipts for such quarterly period.

(2) No controlled merchant whose mercantile inventory is greater than his inventory limit at the beginning of any quarterly period, other than the first quarterly period of the 1943 inventory year, shall receive more than one-third of his allowable receipts for such quarterly period during the first month, or more than two-thirds during the first two months, of such quarterly period.

(3) The Director General for Operations may issue specific instructions increasing or decreasing the allowable receipts of particular controlled merchants.

(e) *Special reports.* Any controlled merchant having a mercantile inventory which is greater than his inventory limit at the beginning of any quarterly period, except the first quarterly period of his 1943 inventory year, shall fill out in duplicate, and mail to the War Production Board, one copy of each of the following reports, retaining the other copy of each in his possession.

(1) Form PD–690, on or before the twenty-fifth day of the first month of such quarterly period, together with Form PD–689. (Form PD–689 is to be submitted once only, at the time of the first filing of Form PD–690.)

(2) Form PD–713, on or before the twenty-fifth day of the second month of such quarterly period.

(3) Form PD–713, on or before the twenty-fifth day of the third month of such quarterly period.

(4) Form PD–690, on or before the twenty-fifth day of the first month of the following quarterly period.

(f) *Corporate combinations and similar enterprises*—(1) *Consolidated inventories and reports.* Except as otherwise provided in paragraphs (g) and (h), every person affected by this order shall, when computing the quantity of his sales, his mercantile inventories, his receipts, and other matters pursuant to this order, include the sales, mercantile inventories, receipts, and other matters of all stores, branches, divisions and sections of his enterprise and of any other enterprise under common ownership or control with his enterprise. Moreover, the reports relating to such sales, inventories, and other matters shall be consolidated and shall include the sales, inventories, and other matters of all branches, divisions, or sections of all enterprises under common ownership or control without regard to corporate or other distinctions between such enterprises. Concessions and leased departments shall be treated as enterprises separate from the business of the merchant whose premises they occupy, unless under common ownership or control with such business.

(2) *Intra-company and inter-company sales.* In all computations and reports pursuant to this order, transactions within the enterprise of a single person or between stores, branches, divisions, or sections of enterprises subject to common ownership or control shall not be counted as sales or as receipts of goods, even though designated on the books of such enterprise or enterprises as sales or receipts, with the following single exception: If one or more of the establishments under common ownership or control engages in manufacturing, then transfer of consumers' goods from factory inventory to mercantile inventory shall constitute a receipt of such goods.

(g) *Separate accounting for company stores.* (1) If any person, as an incident of his principal business, carries on a business enterprise consisting of one or more company stores, commissaries, industrial stores, or other similar type of business enterprise marketing consumer goods chiefly to the employees of such person and their families, then that person shall determine whether such incidental enterprise is a controlled merchant as defined in paragraph (a) (4) of this order and not exempt under paragraph (b) when separately considered.

(2) If such incidental enterprise is, in itself, a controlled merchant, then, even though the principal business of that person may consist of sales of goods on List A, such person shall keep the records, report the inventories, and restrict the receipts of goods of such incidental enterprise as a separate entity. Such person shall exclude the sales, inventories, and receipts of goods of such incidental enterprise from computations and other matters respecting his principal business.

(h) *Separate accounting for ownership groups.* If a controlled merchant consists of a number of establishments, each of which would be a controlled merchant if considered separately, which are substantially independent with respect to merchandising, buying, warehousing, selling, advertising, management, and accounting, and in the operation of which the controlled merchant does not practice centralized buying for, centralized storage for, or interchange of stocks among the constituent establishments, such controlled merchant may elect by written notice to the War Production Board, mailed before February 1, 1943, to keep the records, report the inventories, and restrict the receipts of goods of each such constituent establishment as a separate entity.

(i) *Segregation of consumers' goods from other goods.* Any merchant who is engaged in marketing both consumers' goods and other goods may include such other goods with consumers' goods in calculating inventories, sales, receipts of goods, and all other matters under this order if such other goods are consistently included and if their exclusion would be impracticable. The exclusion of such goods from consumers' goods may be considered impracticable only when such exclusion would require the compilation of data respecting the base period which

that merchant does not already have available and which could be compiled, if at all, only by re-examining his original records of sales, purchases and inventories during the base period.

(j) *Consistency in accounting.* In the valuation of inventories, in the computation of net sales and costs of goods sold, and in all other matters of accounting under this order, unless otherwise specifically authorized by the Director General for Operations, a merchant must use those accounting methods and figures which are in accordance with his books of account or his income tax returns, which meet the requirements of generally accepted accounting practice for the particular purpose, and which he has consistently employed since the beginning of his base period. If, since that date, there has been a material change or inconsistency in his accounting practice affecting valuation of inventories, computation of his net sales, cost of goods sold, or other matters of accounting under this order, or if his customary accounting methods do not meet the requirements of accepted accounting practice, he shall apply by letter to the Director General for Operations for specific instructions concerning the adjustments, if any, to be made, stating in such letter the nature of the change or inconsistency, or the variance from accepted practice.

(k) *Inter-relation with Suppliers' Inventory Limitation Order L–63.* Nothing in this order shall be construed to relieve any person of the duty of complying with § 1046.1, Suppliers' Inventory Limitation Order L–63. Any controlled merchants who market supplies, as defined in Order L–63, and who are not exempt from this order by virtue of paragraph (b) (1), shall not only comply with any restrictions of Order L–63 applicable to their operations but shall also comply with the provisions of this order without distinction between those consumers' goods which are supplies and other consumers' goods.

(l) *Optional use of the "retail method."* Any retail merchant who employed during his base period what is known as the "retail method" of pricing inventories may elect to value his mercantile inventory and to compute his allowable receipts at retail, rather than at retail reduced to "cost" or "cost value," on the following conditions:

(1) He shall employ a percentage of tolerance two percent lower than he would otherwise be entitled to use under the provisions of paragraph (c) (1).

(2) He shall consistently value his goods at retail wherever the provisions of this order specify the use of "cost value" or "cost," except for the purpose of determining whether he is a controlled merchant under paragraph (a) (4).

(3) His allowable receipts at retail shall not exceed the larger of the following:

(i) A figure correctly computed from the merchant's previous experience with respect to sales and markdowns by the method described and illustrated in Appendix D attached to Order L–219, and employed on Form PD–690, or

(ii) A figure equal to one-third of his net sales during the preceding quarterly period.

(4) His markdowns at retail used in computing his allowable receipts at retail shall not be a greater percentage of his projected sales than his markdown percentage in the corresponding quarterly period of the preceding inventory year.

(m) *Deduction of surplus inventory of "frozen goods."* Except for the purpose of determining whether he is a controlled merchant, a controlled merchant may deduct from the cost value of his mercantile inventory on hand at the beginning of any current quarterly period an amount in dollars equal to:

(1) The cost value on that date of his mercantile inventory of any kind of "frozen goods" which he has had in his mercantile inventory more than four months, minus

(2) The cost value of the "frozen goods" of that kind sold by him during the immediately preceding quarterly period.

(n) *Officers' uniforms.* Except for the purpose of determining whether he is a controlled merchant, any controlled merchant authorized to accept delivery of officers' uniforms produced under Section 1243.1, Preference Rating Order P–131, may exclude his current receipts, sales, and inventories of such uniforms in any computations, reports, and other matters under this order requiring the use of current data, provided he does so consistently.

(o) *Miscellaneous reports.* Merchants shall execute and file with the War Production Board such reports and answers to questionnaires as the Director General for Operations may from time to time request, including reports concerning the sales and inventories of subsidiaries, branches or sales units, or of separate retailing or wholesaling divisions, or of particular departments or lines of merchandise.

(p) *Records.* (1) Every merchant shall preserve those records concerning his operations necessary to determine whether he is a controlled merchant.

(2) Every controlled merchant shall preserve his records concerning sales and inventories during the base period until further notice. Complete and accurate records kept on Form PD–689 will satisfy this requirement.

(3) Every controlled merchant shall prepare and preserve for a period of at least two years accurate and complete records concerning his sales, inventories, cost of goods sold, and receipts of goods in such form that the extent of his compliance with this order can readily be ascertained. Complete and accurate records kept on Forms PD–689, PD–690 and such other forms as are issued from time to time will satisfy this requirement.

(q) *Miscellaneous provisions*—(1) *Audit and inspection.* All records required to be kept by this order shall, upon request, be submitted to audit and inspection by duly authorized representatives of the War Production Board.

(2) *Applicability of priorities regulations.* This order and all transactions affected thereby are subject to all applicable provisions of the priorities regulations of the War Production Board, as amended from time to time.

(3) *Appeals.* Any person subject to any requirement of this order, who feels that compliance therewith would work an exceptional or unreasonable hardship upon him, may appeal by filing a letter in triplicate, referring to the particular provision appealed from and stating fully the grounds of the appeal.

(4) *Violations.* Any person who wilfully violates any provision of this order, or who, in connection with this order, wilfully conceals a material fact or furnishes false information to any department or agency of the United States is guilty of a crime, and upon conviction may be punished by fine or imprisonment. In addition, any such person may be prohibited from making or obtaining further deliveries of, or from processing or using, material under priority control or allocation and may be deprived of priorities assistance.

(5) *Communications to the War Production Board.* All reports, when ordered to be filed, and all communications concerning this order, shall, unless otherwise directed, be sent to the War Production Board, Washington, D. C. Ref.: L–219.

(P.D. Reg. 1, as amended, 6 F.R. 6680; W.P.B. Reg. 1, 7 F.R. 561; E.O. 9024, 7 F.R. 329; E.O. 9040, 7 F.R. 527; E.O. 9125, 7 F.R. 2719; sec. 2 (a), Pub. Law 671, 76th Cong., as amended by Pub. Laws 89 and 507, 77th Cong.)

Issued this 29th day of December 1942.

ERNEST KANZLER,
Director General for Operations.

LIST A

LINES OF GOODS (WHETHER OR NOT CONSUMERS' GOODS) QUALIFYING MERCHANTS FOR EXEMPTION

Antiques.
Coal, fuel oil, gasoline and miscellaneous heat or power fuel.
Coffins, burial caskets, and burial vaults.
Farm machinery and equipment, and attachments and repair parts therefor.
Flowers, and plants, except artificial types.
Foods and confections.
Grain.
Hay.
Jewelry having a selling price of $200 or more per piece.
Lumber and building materials, except hardware.
Motor oil and grease.
Motor vehicles and motor vehicle replacement parts.
Nonalcoholic beverages.
Rubber tires.
Second-hand goods.
Stock food
Seeds for farm use.
Typewriters.
"Consumers' goods" imported into the United States.
Supplies, as defined in § 1046.1 *Suppliers' Inventory Limitation Order L–63*, concerning which the merchant is required to keep and actually keeps records on Form PD–336.

LIST B

EXAMPLES OF TYPICAL CONSUMERS' GOODS

Women's, misses', wearing apparel.
Women's, misses' accessories.
Baby goods.
Men's and boys' clothing.
Men's and boys' furnishings.
Work clothing.
Footwear.
Hosiery, underwear, negligees and robes.
Gloves, handbags and millinery.
Aprons, house dresses and uniforms.
Furs.
Corsets and brassieres.
Lace, trimmings, and ribbons.
Notions.
Toilet articles and toiletries (such as cosmetics, shaving equipment and soaps).
Clocks and watches.
Jewelry and silverware.
Umbrellas.
Art, needlework and yarns for home use.
Paper and paper products, stationery, books.
Giftwares.
Piece goods (silks, velvets, rayons and synthetics, woolens, cottons, linens, mixtures, wash goods and linings).
Drugs and drug sundries.
Sporting goods and cameras.
Toys and games.
Luggage and other leather goods.
Garden supplies and seeds for garden use.
Motor vehicles, replacement parts, and accessories.
Tires.
Typewriters.
Linens, including towels.
Domestics (muslins, sheetings, etc.).
Blankets, comforters and spreads.
Furniture, bedding and domestic floor coverings.

Draperies, curtains and upholstery.
Lanterns, lamps and shades.
Chinaware and glassware.
Major household appliances, including mechanical refrigerators, washing machines and cooking appliances.
Small electrical appliances, light bulbs, fixtures and dry cells.
Radios, phonographs, records, and supplies.
Hardware and tools for home use.
Kitchenware, cutlery, and miscellaneous housewares
Musical instruments, pianos, and sheet music.
Window shades, blinds, and wallpaper.
Brushes, brooms and mops.
Soaps and household cleaning and sanitation materials.
Paints, varnishes, waxes and polishes.
Christmas ornaments and supplies.
Wheeled goods.
School supplies.
Antiques.
Coal.
Flowers and plants.
Smoking equipment.
Second-hand consumers' goods.

APPENDIX A

COMPUTATION OF A NORMAL INVENTORY

I. Computation of the normal quarterly inventory-sales ratio, using the second quarterly period ratio as an example.

A. Add the mercantile inventories for the quarterly periods of the base period years corresponding to the quarterly period for which the normal inventory is being computed.

Example

1939 Beginning 2nd quarterly period inventory	$....
1940 Beginning 2nd quarterly period inventory	....
1941 Beginning 2nd quarterly period inventory	....
Total A	$....

B. Add the net sales for the quarterly periods of the base period years corresponding to the quarterly period for which the normal inventory is being computed.

Example

1939 sales 2nd quarterly period	$......
1940 sales 2nd quarterly period	......
1941 sales 2nd quarterly period	......
Total B	$......

C. Divide Total A by Total B, computing to three decimal places.

$\frac{\text{Total A}}{\text{Total B}}$ = normal inventory-sales ratio for all second quarterly periods.

II. Computation of projected sales, using the second quarterly period of 1943 as an example.

A. In computing the projected sales for a quarterly period, divide the net sales during the second preceding quarterly period by the net sales during the quarterly period of the previous year corresponding to the second preceding quarterly period, computing to three decimal places.

Example

$\frac{\text{Sales 4th quarterly period 1942}}{\text{Sales 4th quarterly period 1941}}$ = Sales ratio for 2nd quarterly period 1943.

B. Then multiply the sales ratio for the quarterly period by the net sales during the corresponding quarterly period of the preceding year.

Example

Sales ratio 2nd. qt. '43 × sales 2nd qt. '42 = Projected sales 2nd qt. '43.

III. Computation of the normal inventory, using the second quarterly period of 1943 as an example.

Multiply the projected sales during the quarterly period by the normal inventory-sales ratio for that quarterly period.

Example: Projected sales 2nd qt. '43 × normal inventory-sales ratio for all 2nd qts. = normal inventory beginning 2nd qt. '43.

APPENDIX B

COMPUTATION OF INVENTORY LIMIT

I. Computation of the inventory limit using as an example the second quarterly period of 1943 of a merchant in the Eastern Time Zone operating on the cost method.

A. Compute the tolerance by multiplying the normal inventory for the beginning of the quarterly period by the appropriate percentage of tolerance.

Example

Normal inventory beginning 2nd qt. '43 x .10 = Tolerance beginning 2nd qt. '43.

B. Add the tolerance thus secured to the normal inventory.

Example

Tolerance beginning 2nd quarterly period '43	$....
Normal Inventory beginning 2nd quarterly period '43	....
Inventory Limit	$....

Appendix C

COMPUTATION OF ALLOWABLE RECEIPTS AT COST VALUE ON THE BASIS OF PROJECTED SALES

I. Computation of the cost of projected sales for a quarterly period, using the second quarterly period of 1943 as an example.

A. Divide the cost of goods sold during the corresponding quarterly period of the preceding year by the net sales during the corresponding quarterly period of the preceding year.

Example

Cost of goods sold 2nd qt. '42 ÷ Net sales 2nd qt. '42 = Cost ratio for 2nd qt. '43.

B. If such data are not available, use the cost of goods sold and net sales on the most recent federal income tax return.

Example

Cost of goods sold during taxable year 1942 ÷ Net sales during taxable year 1942 = Cost ratio for any qt. of '43

C. Multiply the projected sales for the quarterly period computed in accordance with Appendix A, by the cost ratio for the quarterly period.

Example

Cost ratio × projected sales 2nd qt. '43 = Cost of projected sales for 2nd qt. '43.

II. Computation of allowable receipts for a quarterly period, using the second quarterly period of 1943 as an example.

A. Add the cost of projected sales for the quarterly period to the cost value of a normal inventory at the beginning of the next quarterly period.

Example

Cost of Projected sales 2nd qt. '43	$-----
Normal inventory beginning 3rd qt. '43	-----
Total A	-----

B. Subtract from the sum thus secured the mercantile inventory on hand at the beginning of the current quarter.

Total A	$-----
(Minus) Mercantile inventory beginning 2nd qt. '43	-----
Allowable Receipts during 2nd qt. '43	$-----

Appendix D

COMPUTATION OF ALLOWABLE RECEIPTS AT RETAIL VALUE USING PROJECTED SALES

I. Computation of allowable receipts for a quarterly period, using the second quarterly period of 1943 as an example.

A. Add the projected sales and the projected markdowns for the quarterly period to a normal inventory at retail value at the beginning of the next quarterly period.

Example

Projected Sales 2nd qt. '43	$-----
Projected Markdowns at Retail 2nd qt. '43	-----
Normal Inventory at Retail beginning 3rd qt. '43	-----
Total A	$-----

B. Subtract from the sum thus secured the mercantile inventory, at retail, on hand at the beginning of the quarterly period.

Example

Total A	$-----
(Minus) Mercantile inventory at retail value beginning 2nd qt. '43	-----
Allowable Receipts at retail during 2nd qt. '43	$-----

Campaign and Media Branch
Division of Information
War Production Board
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END OF
TITLE